

North Energy Q1 2016

Broadened business scope and strengthening of management

4 May 2016

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Agenda

- **Q1 highlights and subsequent events**
- New corporate and management structure
- Financial update
- Operational update
- Outlook

Q1 highlights and subsequent events

- **Expanded business scope following General Meeting resolution**
 - Pure exploration model challenged by adverse market conditions
 - Broadened business scope allowing the Company to investigate opportunities across the whole energy value chain
- **A new corporate and management structure proposed by the Board of Directors**
 - Goal to strengthen the Company's business model and its commercial platform
 - The proposal requires the approval of the General Meeting, and an EGM has been called for 18 May
- **Gain of NOK 101 million recorded from the acquisition of Explora**
 - NOK 21 million purchase consideration versus net fair value of the identifiable assets acquired of NOK 122 million
 - NOK 94.1 million in net profit in Q1 2016

Q1 highlights and subsequent events (cont.)

- **High grading of portfolio resulting in several licence divestments and relinquishments**
 - Revised exploration strategy with higher commercial thresholds resulting in several licence divestments and relinquishments
 - A total of 25 licences have been divested/relinquished YTD, eight remaining active licences as of May
- **New credit facility signed with DNB and SEB**
 - NOK 950 million facility for 2016-2017
 - Replaces previous facilities in North Energy and Explora, respectively
- **Restructuring project almost complete**
 - Net G&A in 2016 slashed by more than 50 per cent compared with 2014 (North Energy only – prior to integration of Explora)
 - Further cost reductions will be implemented following the Explora acquisition

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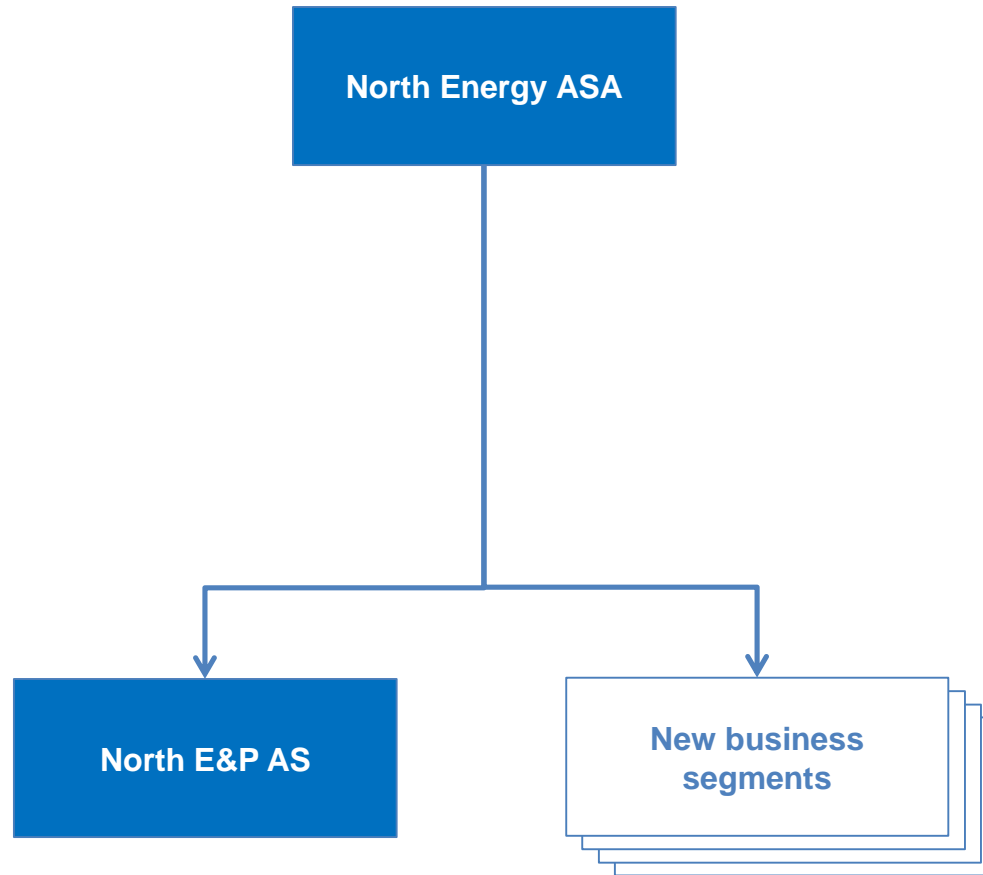
Backdrop: E&P business model challenged by current price regime



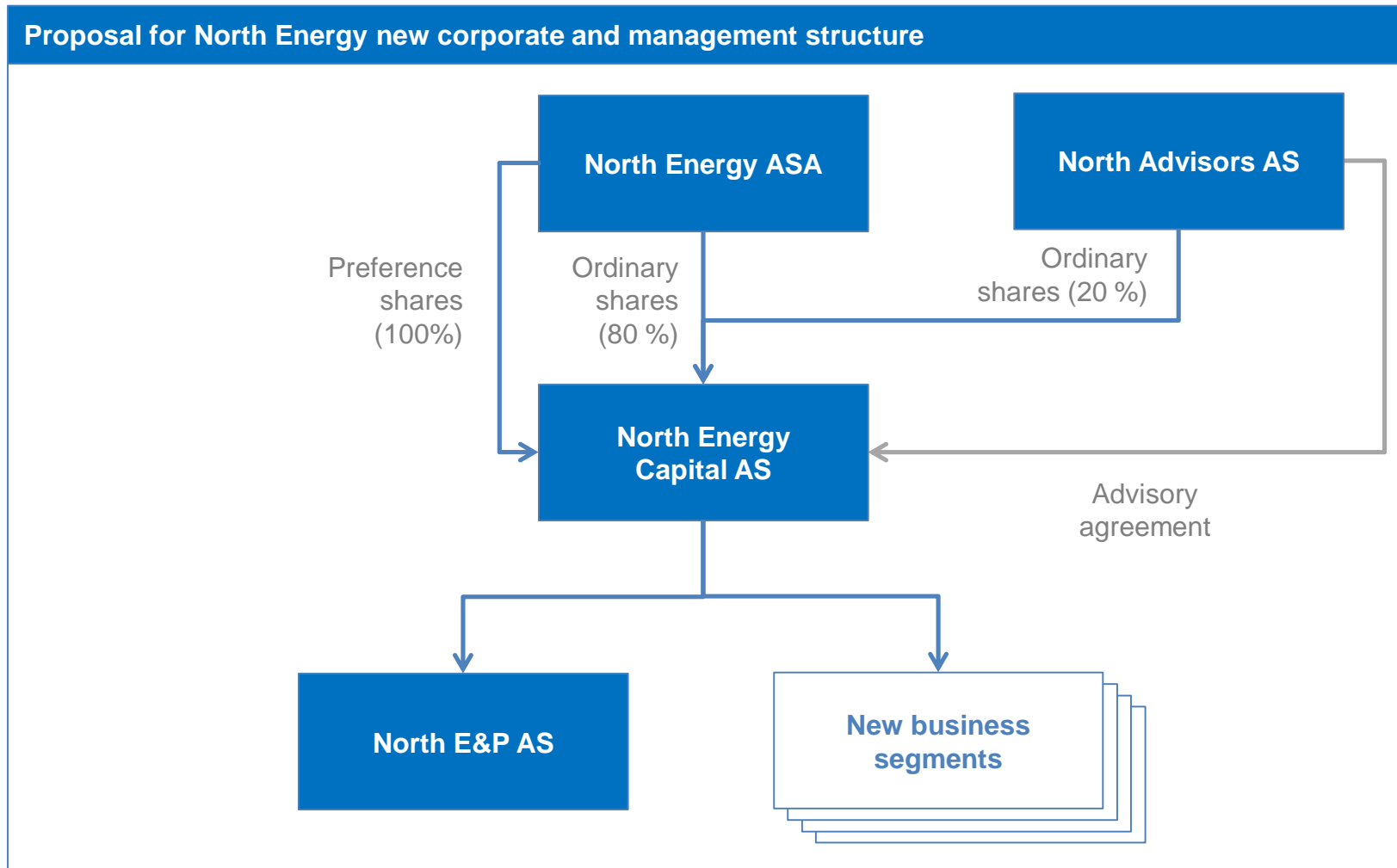
Oil Map by Rystad Energy based on 2 May 2016 USD 46/bbl oil price

North Energy broadened its business scope following an EGM resolution in February

North Energy current corporate and management structure

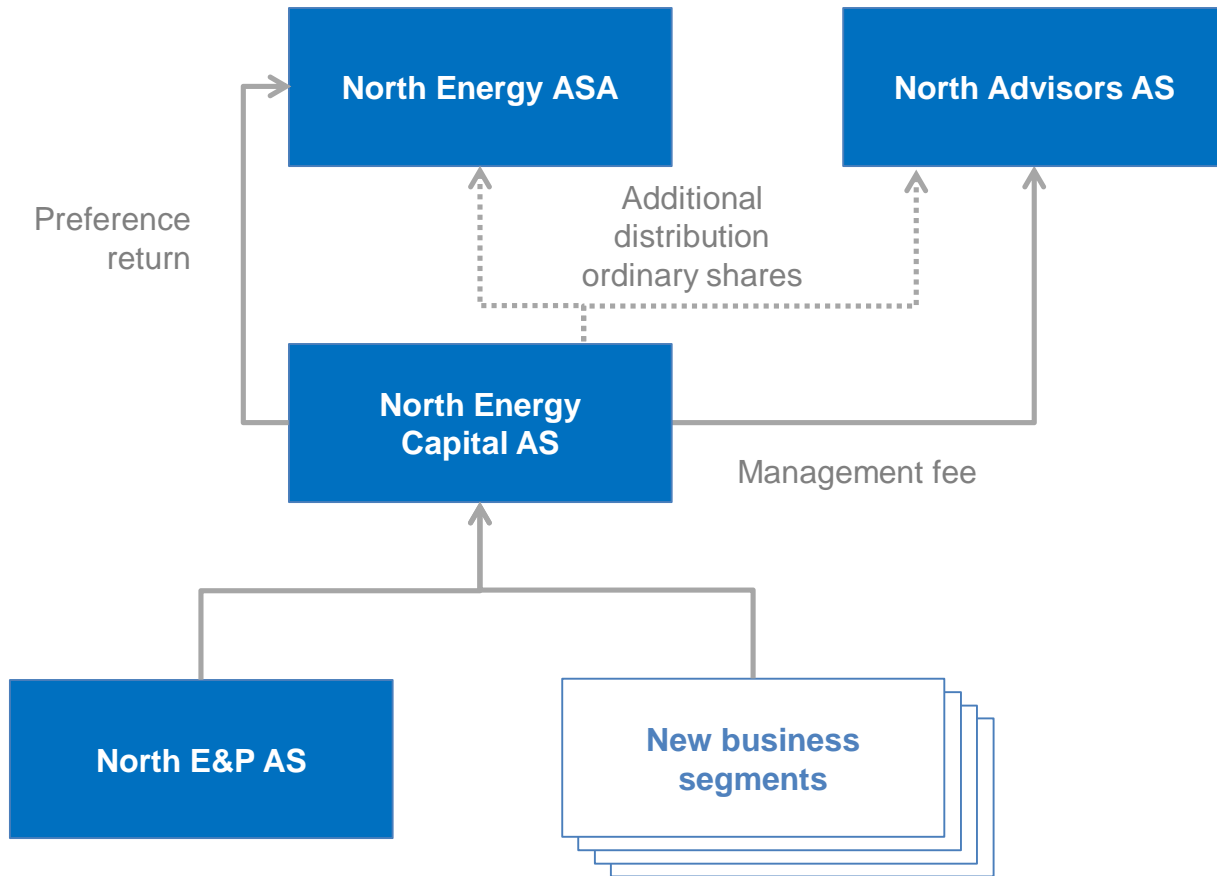


The proposed new business model is based on active ownership



New structure will strengthen management resources and better align incentives

Proposal for North Energy new corporate and management structure



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Explora acquisition resulting in profit in Q1

(North Energy group consolidated)

NOK Million	Q1 2016	Q1 2015	Q4 2015	2015	
Gain/loss from licence sale	1,2	0,0	5,8	5,4	Sale PL707, true-up sale PL708
Exploration expenses	(6,0)	(117,1)	(64,4)	(414,8)	No drilling expenses in Q1 2016
Payroll	(16,7)	(16,3)	0,3	(41,5)	Incl. restructuring cost of 6,2 mNOK
Other operating expenses	(10,9)	(9,9)	(12,9)	(44,4)	Incl. restructuring cost of 5,9 mNOK
EBITDA	(32,5)	(143,3)	(71,2)	(495,4)	
Depreciation/impairment	(0,7)	(1,3)	(2,1)	(6,0)	
EBIT	(33,2)	(144,6)	(73,3)	(501,5)	
Gain from bargain purchase	100,8	-	-	-	Explora acquisition
Net financial items	(0,2)	(5,3)	(10,9)	(24,5)	
EBT	67,4	(149,9)	(84,2)	(526,0)	
Tax	26,7	114,3	60,7	399,7	
Net result	94,1	(35,6)	(23,6)	(126,2)	

Business combination strengthening North Energy's financial position

- Fair value of assets and liabilities versus purchase consideration:

	NOK million
Deferred tax asset	41
Working Capital	11
Cash	27
Tax refund receivable	238
Exploration loan	-195
Net fair value	122
Purchase consideration	-21
Gain recognised in income statement	101

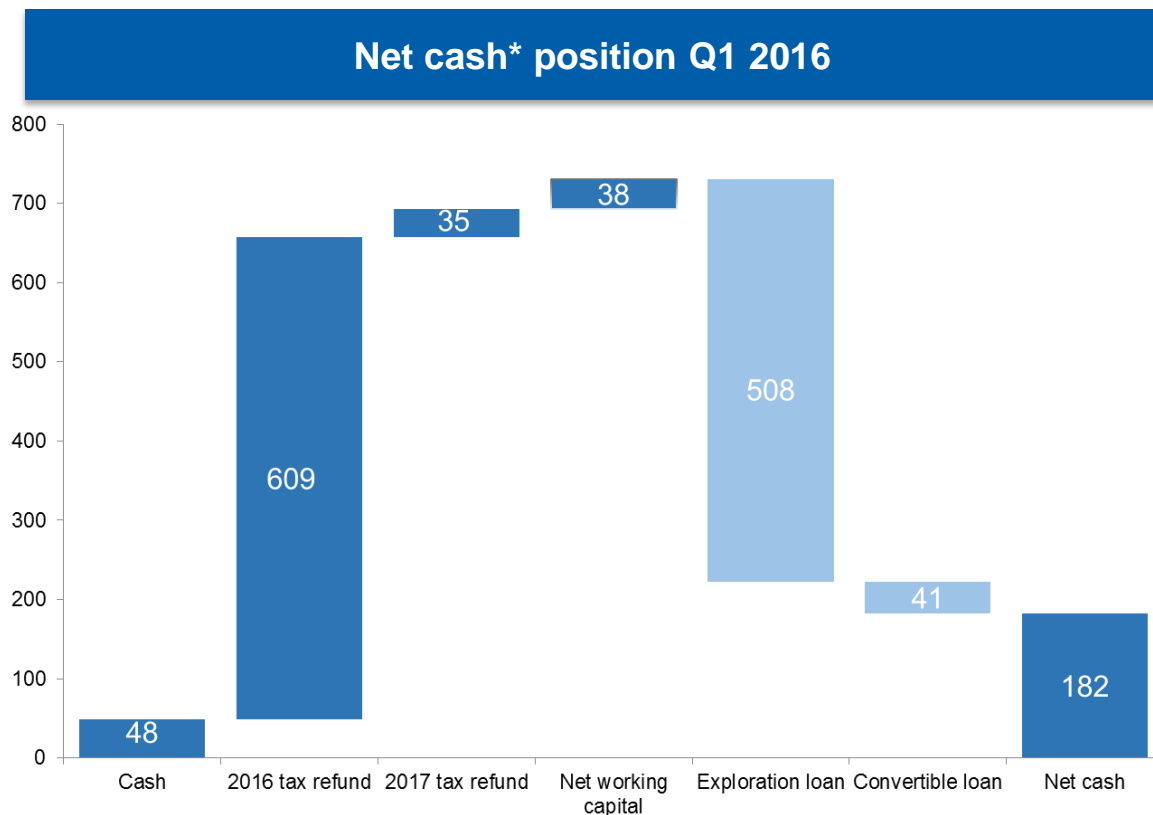
Total assets exceeding NOK 1 billion

(North Energy group consolidated)

NOK Million	31.03.2016	31.12.2015	31.12.2014	Comments on 31.03.2016
Assets				
Fixed assets	3,0	3,8	9,9	
Capitalized drilling cost	0,0	0,0	11,5	
Deferred tax asset	193,0	149,8	131,7	Def. Tax on loss carried forward
Long term receivables	77,5	18,5	4,4	Incl. Tax receivables of 35,5 mNOK
Short term receivables	682,2	440,3	414,0	Mainly tax receivables on 2015 expenses
Cash	48,3	34,8	25,7	
Total assets	1 004,1	647,2	597,3	
Equity and liabilities				
Total equity	417,1	314,9	440,1	Equity share of 41,5 percent
Long term liabilities	2,6	45,6	42,0	Convertible loans moved to short term
Short term liabilities	584,3	286,7	115,2	Borrowings and other curr. liabilities
Total equity and liabilities	1 004,1	647,2	597,3	

A comfortable financial position

- North Energy Group consolidated in all figures
- Net cash position of NOK 182 million including convertible loans of NOK 41 million
- Unused exploration loan facility NOK 442 million
- New EFF combined for the two companies implemented in Q1 2016
 - Covering 2016 + 2017
 - Facility up to NOK 950 million

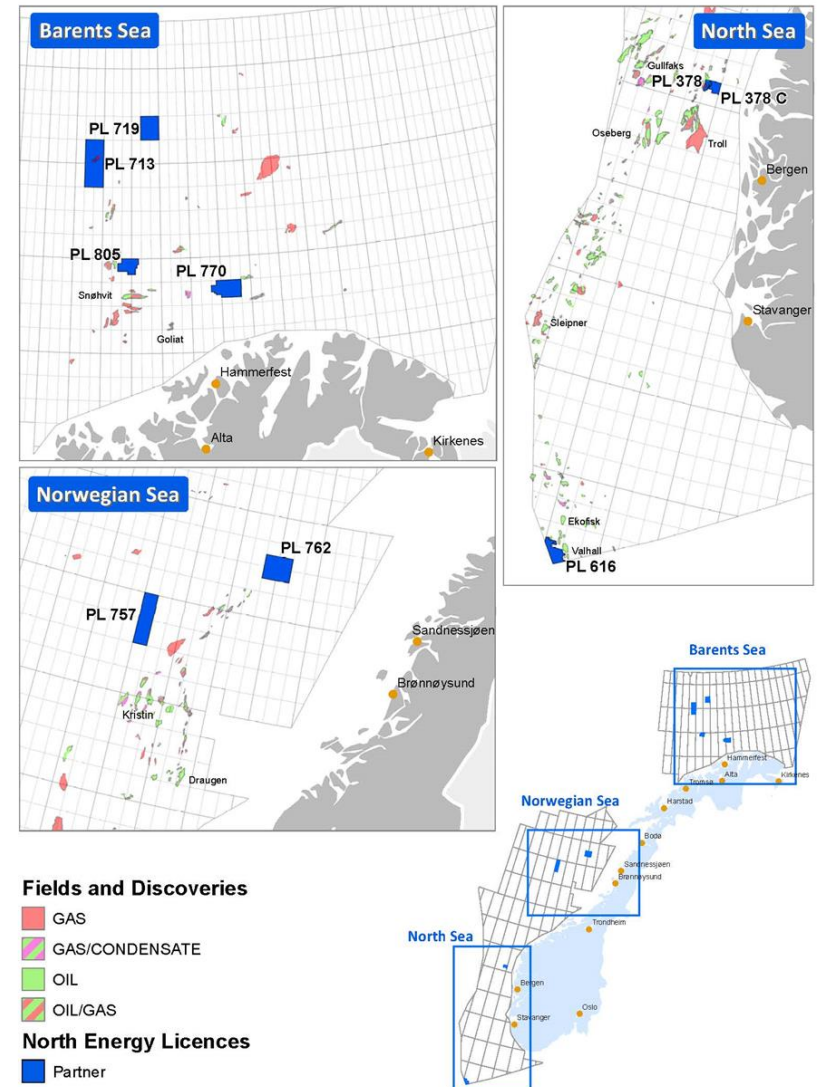


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Licence portfolio

- The 2015 revised exploration strategy raised North Energy's commercial thresholds
 - Response to the adverse market conditions
- High grading of portfolio resulting in several licence divestments and relinquishments
 - Year to date a total of 25 licences have been divested or relinquished from the two companies
- Eight remaining active licences in the Group portfolio
 - No remaining drilling commitments and limited licence costs



Remaining active portfolio

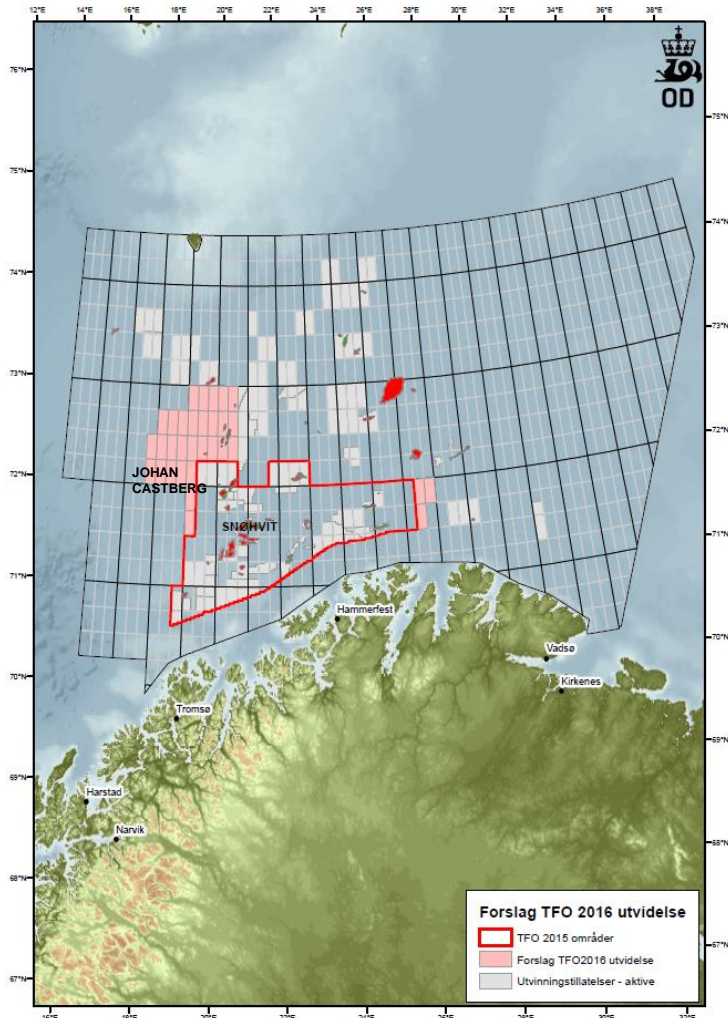
License	Prospect	Interest	Operator	Location	Rig	DoD/BOK Deadline
PL 378, C	Skarfjell	17.5	Wintershall	North Sea	N/A	Q1 2017*
PL 757	Batur	30%	Centrica	Norwegian Sea	N/A	Q1 2017
PL 770	Saarikoski	20%	Edison	Barents Sea	N/A	Q1 2016**
PL 719	Sandia/Scarecrow	20%	Centrica	Barents Sea	N/A	Q2 2016
PL 713	Pingvin	20%	Statoil	Barents Sea	N/A	Q2 - 2017
PL 616	Haribo	15%	Edison	North Sea	N/A	Q2 - 2016
PL 762	Vågar	20%	Noreco	Norwegian Sea	N/A	Q1 - 2017
PL 805	Highbury	40%	Lundin	Barents Sea	N/A	Q1 - 2017

* Drill well by Q1 2017 or relinquish

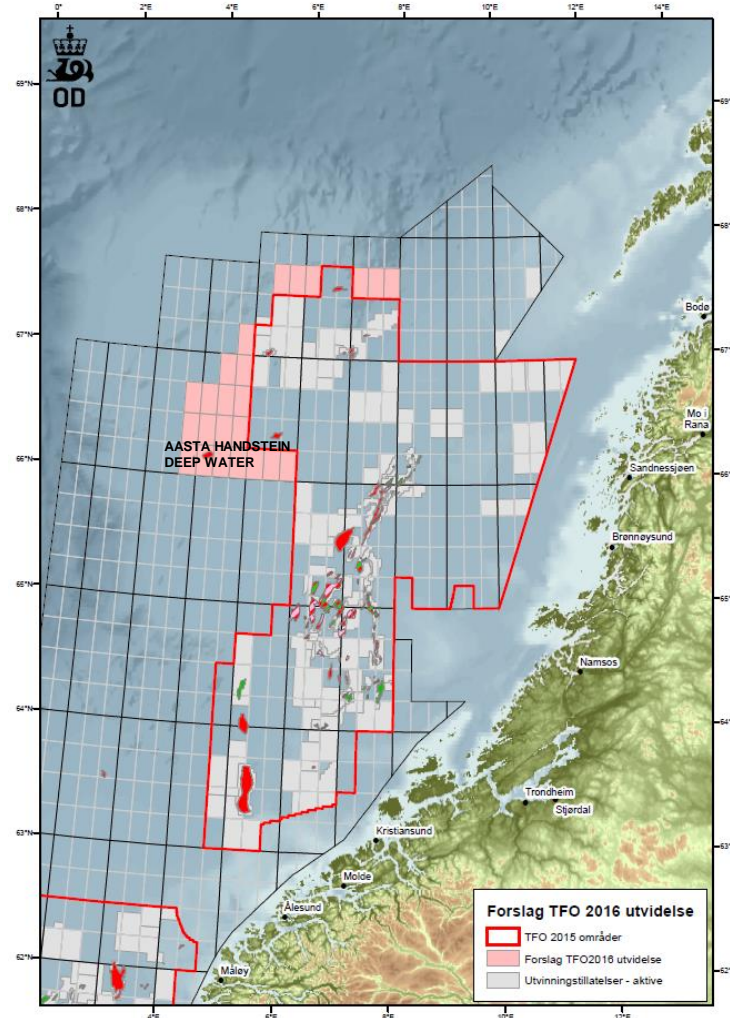
** Applied for 1 year extension

Carefully assessing APA 2016 areas

Barents Sea



Norwegian Sea



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Summary and outlook

- **North Energy actively addressing challenging market conditions**
 - Extensive cost cutting initiatives completed, further cost reductions due in 2016
 - Broadened business scope and strengthened management
- **Opportunistic approach w.r.t. future activities**
 - Financial position enabling new quality opportunities
 - However, very selective on future commitments
- **Key priority to demonstrate value creation**
 - All options being considered, goal to unlock inherent values in North Energy
 - Accretive Explora acquisition demonstrating potential from ongoing strategic review process



Low cash burn and financial flexibility to pursue high quality business opportunities

Q & A