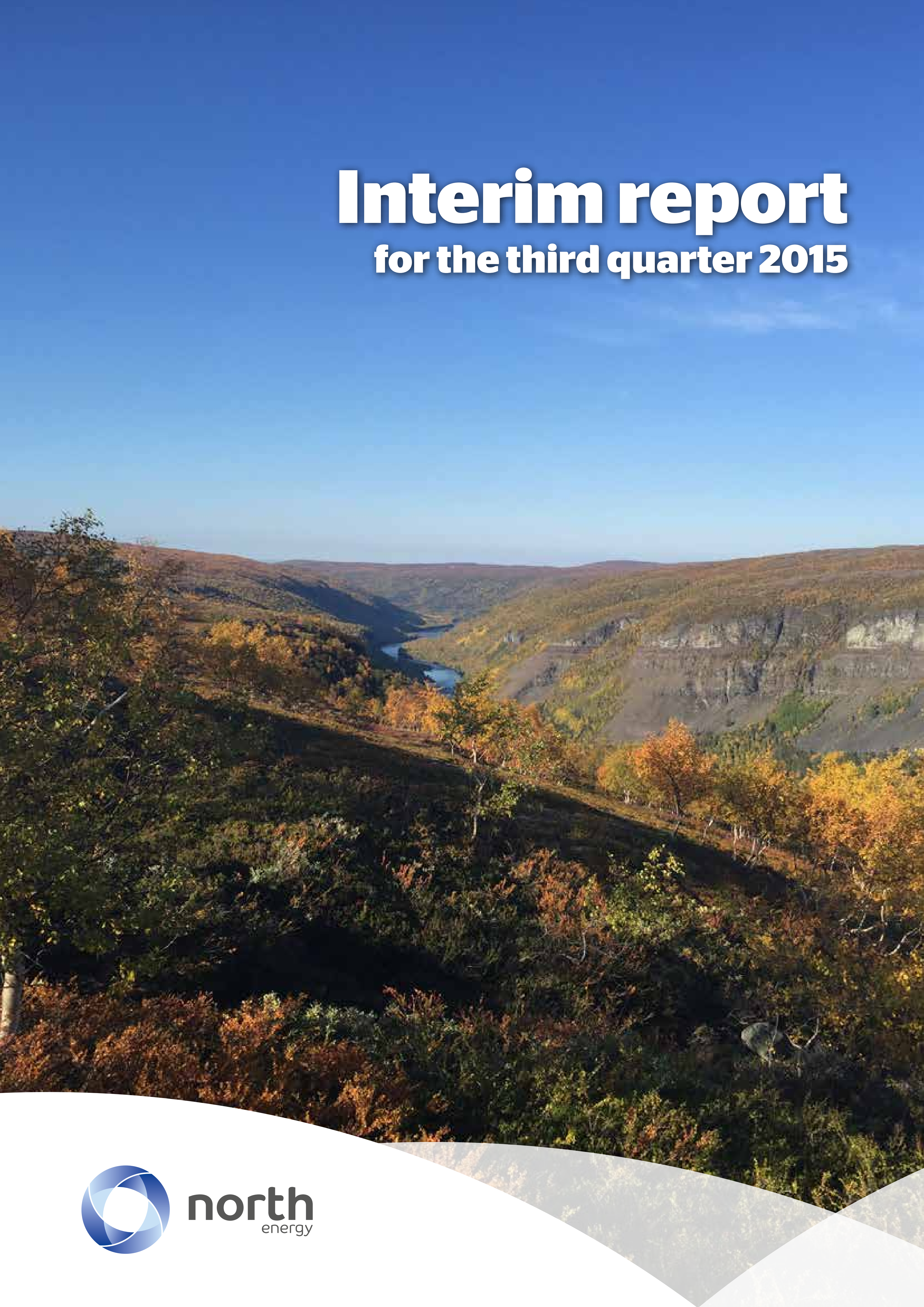
Interim report
for the third quarter 2015



north energy

Contents

Design: Riktig Spor AS
Photos: North Energy ASA

Highlights of the third quarter

- Dry wildcat in the North Sea on the Haribo prospect in PL 616. North Energy participated with a 15 per cent interest. No hydrocarbons were encountered.

- Sale of interest in PL 722. North Energy entered into an agreement in August with Det Norske Oljeselskap ASA, whereby the latter acquires North Energy's 10 per cent holding in the licence. The transaction has been approved by the Norwegian authorities and was implemented on 30 October 2015 with an effective date of 1 January 2015.

- Notice of claim received from former CEO. North Energy received a notice of claim in July from Erik Karlstrøm, in which he disputes the legality of the board's decision to terminate his employment. A judgement in this case by the court of first instance is expected in late 2015 or early 2016.

Events after 30 September

- Sale of interest in PL 708. North Energy signed an agreement in October with Pure E&P Norway AS, whereby the latter acquires a 10 per cent holding in this licence. The transaction is conditional on government approval, and the effective date is set at 1 January 2015.

- Non-commercial discovery on Tvillingen South. A 25-metre gas column was encountered in this prospect in PL 510 in the Norwegian Sea. The discovery is considered too small to have a commercial potential.

- Applications for the 2015 awards in predefined areas (APA) round. North Energy has applied for licence holdings in this round. Earlier investment in high-quality seismic and electromagnetic (EM) data has provided the basis for extensive evaluations of the areas on offer and has contributed to good, carefully selected and quality applications.

Key figures

NOK million	Q3 2015	Q2 2015	Q3 2014	Full year 2014
Gain from sales of licences	-	(0.4)	0.2	3.5
Exploration and licence expenses	(117.6)	(116.2)	(56.6)	365.1
Payroll and related expenses	(12.2)	(12.1)	(15.6)	(52.9)
Operating profit	(140.8)	(141.9)	(79.5)	(457.4)
Profit before income tax	(145.3)	(145.7)	(85.8)	(477.7)
Income tax credit	112.4	111.7	54.0	353.2
Profit for the period	(32.9)	(34.0)	(31.8)	(124.5)
Total assets	987.2	841.9	898.9	597.3
Total equity	337.9	370.5	476.5	440.1
Equity ratio (%)	34	44	53	74
Interest-bearing debt	521.4	330.4	267.7	89.1
Number of employees	27	41	43	43
Number of licences (operatorships)	21 (2)	22 (2)	24 (3)	24 (2)

Financial conditions in the third quarter of 2015

North Energy is a group solely involved in exploration. The consolidated financial statements encompass North Energy ASA and the wholly owned 4Sea Energy AS subsidiary.

An overall net loss of NOK 32.9 million was recorded by the company for the third quarter. That primarily reflected exploration and licence costs, which amounted to NOK 117.6 million of the NOK 145.3 million loss before tax.

Exploration and licence costs for the quarter consisted primarily of expensed drilling costs of NOK 76 million for Tvillingen South and NOK 29.3 million for Haribo. The interests in PLs 722 and 708 were sold during the third and fourth quarters respectively, but neither transaction had received government approval at 30 September and they are therefore not recognised in the financial statements.

Payroll costs came to NOK 12.2 million, unchanged from the second quarter, but down by NOK 3.4 million from the third quarter of 2014. These expenses will vary somewhat on a quarterly basis because of fluctuations in hourly expenses invoiced out for activity in the operated licences. The third quarter was affected by a low proportion of invoiced payroll costs compared with the same period of 2014. This reflected reduced activity in licences operated by North Energy as well as a concentration during the quarter on completing applications for the 2015 APA round.

The total balance sheet rose by NOK 145.3 million from the previous quarter, primarily because of increases in capitalised tax receivable and in pre-paid expenses and receivables. Drilling in PLs 510 and 616 was the primary reason for the rise in these items. North Energy had an equity of NOK 337.9 million at 30 September, down by NOK 32.6 million from 30 June. This reduction was wholly attributable to the loss for the quarter.

Interest-bearing debt rose by NOK 191 million from the second quarter, primarily because the total drawdown of the exploration loan increased from NOK 290 million to NOK 481 million as a result of payments made to PLs 510 and 616. The convertible loan balances from TGS and Rex were unchanged from 30 June at NOK 40.9 million.

When account is taken of NOK 692 million in tax receivable, NOK 8.7 million in cash and cash equivalents, NOK 0.6 million in net negative working capital and the exploration loan of NOK 481 million, the company had a net cash position of NOK 219.1 million at 30 September, compared with NOK 260.6 million at 30 June. The company had a undrawn available credit facility of NOK 469 million at 30 September.

The company is continuously tailoring its level of activity and costs to the challenging market conditions in the industry. Further measures were implemented during the third quarter of 2015, and it has been decided to shut down the Tromsø and Stavanger offices and concentrate the company's activities in Oslo. The workforce will be further downsized. Concentration in a single office will save on rent and on travel between locations. Substantial savings will also be achieved by the actual downsizing.

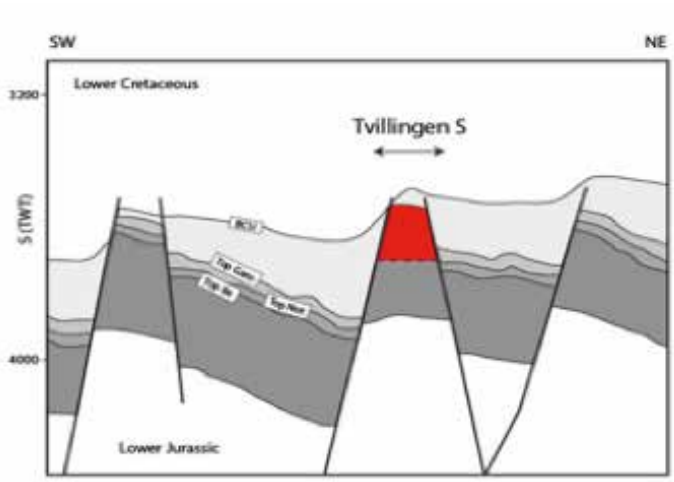
Given the low oil prices and tough market conditions, the board initiated a process in December 2014 which aims to assess the strategic opportunities available to the company. This process is continuing.

Exploration activity

Falling oil prices and the generally challenging market conditions have prompted the company to sharpen its exploration strategy. The threshold for future investment will be high, with only prospects which offer a clear commercial potential being considered. That influences the company's future licence applications, and also has consequences for the present portfolio. The acreage put on offer in the 23rd licensing round is not considered sufficiently interesting for North Energy, and the company has accordingly decided not to participate in this round.

Licensing rounds

North Energy has assessed areas across the whole length of the Norwegian continental shelf (NCS) in the 2015 APA round. Where the most interesting acreage is concerned, the company has invested in high-quality seismic and EM data to reduce risk. That information will also contribute to the further evaluation of these areas.



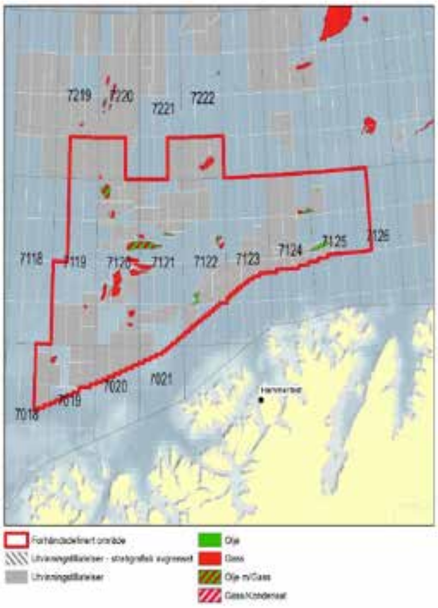
Geological cross-section of Tvillingen South, indicating the underfilled reservoir.

Wells

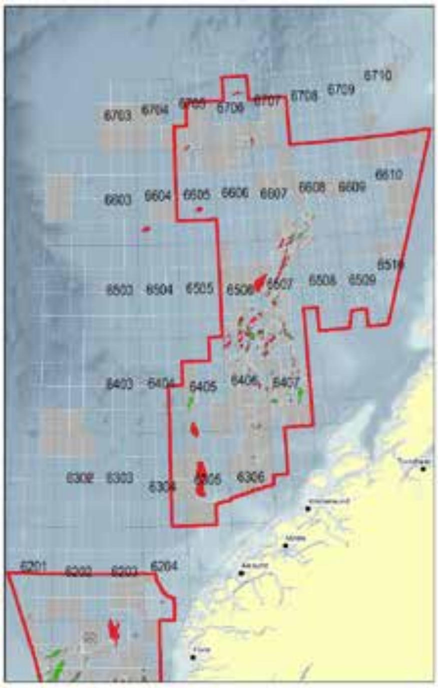
North Energy participated in two wells during the third quarter, one in the North Sea and the other in the Norwegian Sea. A gas/condensate discovery was made on the Tvillingen South prospect in the Norwegian Sea. The main target of the wells was to test Jurassic sandstones. Drilling commenced on 11 August from the *Leiv Eiriksson* rig. A 25-metre gas column was encountered in the Garn formation. The total reservoir thickness in this formation showed 100 metres of good-quality sandstone. In addition, the Ile, Tofte and Tilje formations showed good reservoir properties but were water-filled. Preliminary calculations assume that the resource potential lies between 10-20 million barrels of oil equivalent (boe) in recoverable quantities at the top of the Garn formation, which is not regarded as commercial in this area. Designated 6406/6-4S, the well was drilled to a total depth of 4 525 metres in the Tilje formation.

The Haribo prospect, located just west of the Hod field in the North Sea, proved to be dry. Its anticipated reservoir zone was not encountered. The main target in this prospect was Cretaceous carbonates, and the well was drilled to a depth of 3 410 metres in the Narve formation.

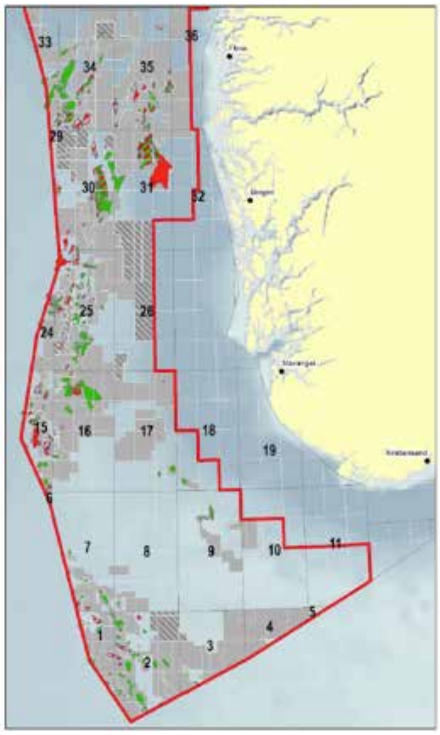
Areas on offer in the 2015 APA round



Barents Sea



Norwegian Sea



North Sea

The *Leiv Eiriksson* drilling rig.

Licence portfolio

North Energy participated at 30 September in 21 licences on the NCS, split between exploration areas in the North, Norwegian and Barents Seas. As a result of the company's more focused exploration strategy, it has entered into agreements to farm out of two Barents Sea licences. Government approval for the sale of PL 722 was provided in October, while the transaction covering PL 708 is expected to be approved during the fourth quarter. PLs 601 and 693 in the Norwegian Sea are not considered to have a sufficiently interesting potential, and an application to relinquish them will accordingly be made.

The exploration department is making detailed assessments of the remaining exploration potential in licences where drilling has been conducted over the past year.

A drill or drop recommendation will be submitted during November to the licensees for PL 590, operated by North Energy, on the basis of the studies conducted. Given the gas/condensate discovery in the neighbouring PL 475, indications exist that the play is also relevant for PL 590. Estimated reservoir thickness is a critical factor in the current assessments. The deadline for a possible decision to drill is February 2016.

Decisions on possible drilling in 2017 are set to be taken in several of the company's licences during 2016. A drill or drop decision is due in 16 of the licences in the portfolio next year. That calls for detailed internal evaluations beforehand, which represent a continuous process in the company.

Decision schedule

Drill or drop licences 2015 – 2016

Licence	Prospect	Interest	Operator	Location	Rig	DoD deadline 2015	DoD deadline 2016
PL 503 B	Valberget	12.5%	Lotos	North Sea	N/A	Q4	
PL 503 C	Valberget	12.5%	Lotos	North Sea	N/A	Q4	
PL 601	Nupen	20%	Wintershall	Norwegian Sea	N/A	Q4*	
PL 590 B	Sierra	30%	North Energy	Norwegian Sea	N/A		Q1
PL 656	Selsbane	10%	EON	Norwegian Sea	N/A		Q1
PL 693	Eagle	15%	OMV	Norwegian Sea	N/A		Q1**
PL 769	Grid	20%	OMV	Barents Sea	N/A		Q1
PL 770	Saarikoski	20%	Edison	Barents Sea	N/A		Q1
PL 707	Seiland West	10%	Edison	Barents Sea	N/A		Q2
PL 719	Sandia/ Scarecrow	20%	Centrica	Barents Sea	N/A		Q2

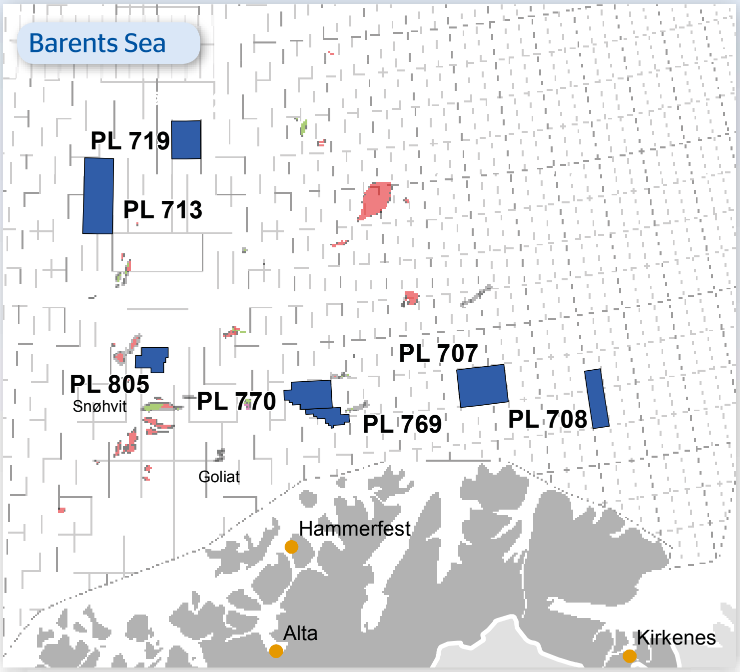
* The operator has sent a relinquishment letter to the Ministry of Petroleum and Energy, Q4 2015.
** The operator has sent a relinquishment letter to the Ministry of Petroleum and Energy, Q3 2015.

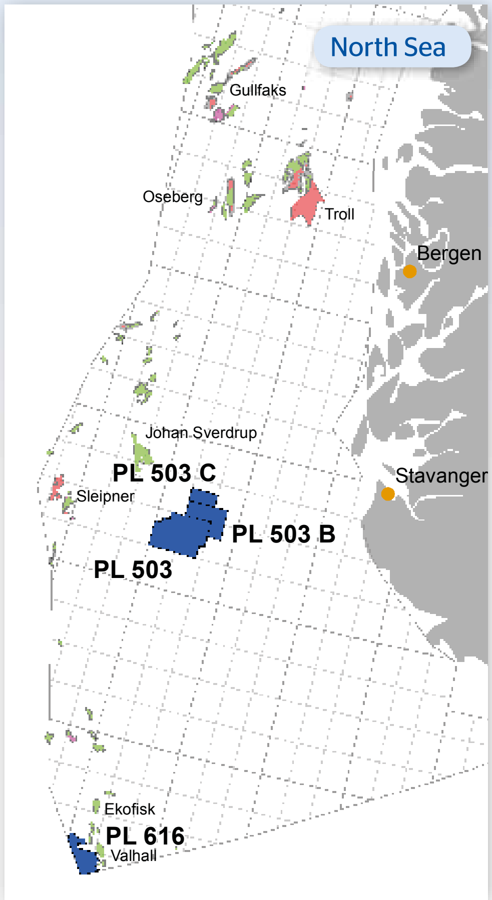
Decision to continue licence – BOK/BOV 2016 –18

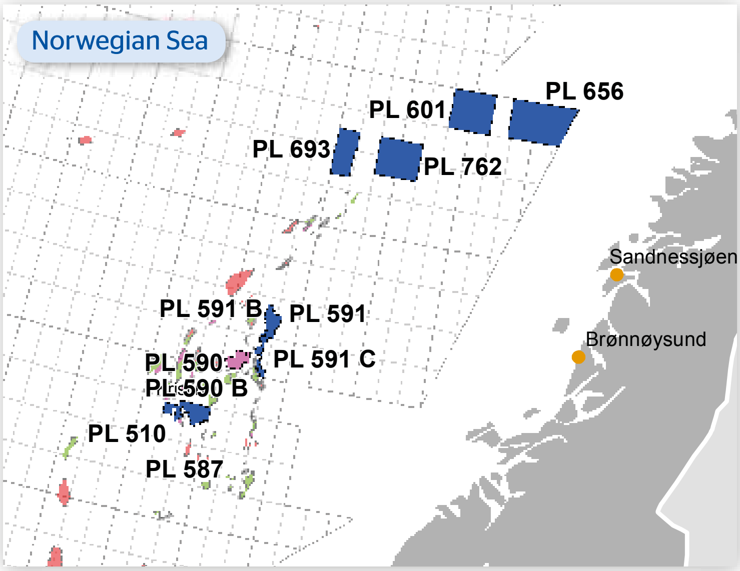
Licence	Prospect	Interest	Operator	Location	Rig	BOK/BOV deadline
PL 708	Ørnen	10%	Lundin	Barents Sea	*Transocean Arctic*	Q2 - 2018
PL 713	Pingvin	20%	Statoil	Barents Sea	N/A	Q2 - 2017
PL 616	Haribo	15%	Edison	North Sea	N/A	Q2 - 2016
PL 510	Tvillingen South	20%	Maersk	Norwegian Sea	N/A	Q1 - 2016
PL 591 B, C	Zumba	15%	Tullow	Norwegian Sea	N/A	Q3 - 2016

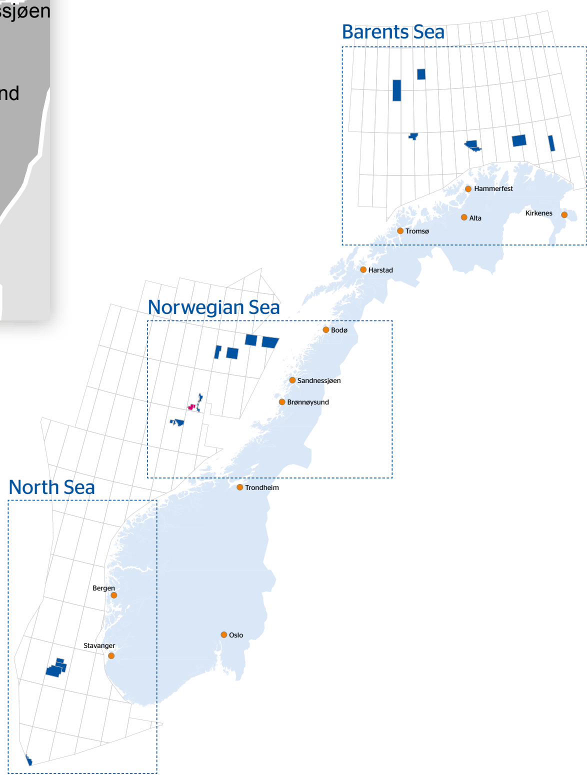
* Sold, conditional on government approval

Licence map









North Energy licences

- Partner
- Operator

Selected fields and discoveries

- Gas
- Gas/condensate
- Oil
- Oil/gas

Human resources

Implementing the approved cost reductions means further downsizing. The process of reducing the workforce continued during the third quarter and is due to be completed by 31 December. Staffing is being cut by about 11-13 people. The offices in Tromsø and Stavanger will be shut down, and all employees will be concentrated in Oslo from January 2016. After the downsizing process has been completed, the organisation will comprise 10-15 people with the main emphasis on a high level of exploration expertise.

Health, safety and the environment

No serious internal HSE incidents were recorded in North Energy during the third quarter.

The company had no drilling activities as operator in this quarter. Two partner-operated wildcats in PL 616 (Haribo) and PL 510 (Tvillingen South) were followed up closely.

Sickness absence in the third quarter was 2.4 per cent.

Outlook

North Energy is continuing its efforts to tailor the company for the demanding market conditions. A number of the licences in which the company has interests will take drill or drop decisions in 2016. The threshold for investment commitments will be high, and North Energy's exploration wells must meet stringent requirements for rapid commercialisation. Furthermore, the level of the company's costs has been substantially reduced during 2015, primarily through downsizing and fewer office locations. In total, this means that North Energy's level of costs will be low in 2016 and beyond.

Work is continuing to evaluate various strategic options for the company. With a net cash position of more than NOK 200 million, low operating costs and no major investment commitments, the company's financial flexibility is good.

North Energy – financial statements third quarter 2015

CONSOLIDATED INCOME STATEMENT

NOK 1 000	Note	Q3 2015 (unaudited)	Q3 2014 (unaudited)	YTD Q3 2015 (unaudited)	YTD Q3 2014 (unaudited)	Year 2014 (audited)
Gain/(loss) from sales of licences		0	176	(404)	3 445	3 493
Payroll and related expenses		(12 199)	(15 619)	(40 597)	(36 630)	(52 948)
Depreciation and amortisation		(1 288)	(1 655)	(3 926)	(4 963)	(6 611)
Exploration and licence expenses		(117 608)	(56 566)	(350 880)	(240 182)	(365 132)
Other operating expenses		(9 679)	(5 873)	(31 487)	(26 320)	(36 199)
Operating loss		**(140 775)**	**(79 538)**	**(427 295)**	**(304 650)**	**(457 397)**
Financial income		5 398	2 231	13 202	7 915	12 089
Financial expenses		(9 910)	(8 489)	(26 793)	(22 513)	(32 414)
Net financial items		**(4 512)**	**(6 258)**	**(13 592)**	**(14 598)**	**(20 324)**
Loss before income tax		**(145 286)**	**(85 796)**	**(440 887)**	**(319 249)**	**(477 722)**
Income tax credit	10	112 405	53 984	338 408	230 407	353 212
Loss for the period		**(32 881)**	**(31 812)**	**(102 479)**	**(88 841)**	**(124 509)**
Earnings per share (NOK per share)						
- Basic		(0.28)	(0.28)	(0.86)	(0.89)	(1.19)
- Diluted		(0.28)	(0.28)	(0.86)	(0.89)	(1.19)

CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

NOK 1 000	Q3 2015 (unaudited)	Q3 2014 (unaudited)	YTD Q3 2015 (unaudited)	YTD Q3 2014 (unaudited)	Year 2014 (audited)
Loss for the period	**(32 881)**	**(31 812)**	**(102 479)**	**(88 841)**	**(124 509)**
Other comprehensive income, net of tax					
Items that will not be reclassified to profit or loss in subsequent periods:					
Actuarial gain/(loss) pension	0	0	0	0	(725)
Items that will be reclassified to profit or loss in subsequent periods:					
Available for sale investments - change in fair value	334	0	334	0	0
Total other comprehensive income, net of tax	**334**	**0**	**334**	**0**	**(725)**
Total comprehensive loss for the period	**(32 547)**	**(31 812)**	**(102 144)**	**(88 841)**	**(125 234)**

CONSOLIDATED BALANCE SHEET

NOK 1 000	Note	30.09.2015 (unaudited)	30.09.2014 (unaudited)	31.12.2014 (audited)
ASSETS				
Non-current assets				
Property, plant and equipment		6 252	8 711	9 901
Capitalised exploration and licence costs	8	4 416	58 202	11 540
Tax receivable, refund tax value exploration expenses	10	318 735	299 120	0
Other receivables		3 638	18 926	4 388
Investments available for sale	12	6 906	0	0
Deferred tax asset	10	151 420	81 645	131 748
Total non-current assets		**491 368**	**466 604**	**157 578**
Current assets				
Prepayments and other receivables		113 588	70 715	40 379
Tax receivable, refund tax value exploration expenses	10	373 624	353 528	373 624
Cash and cash equivalents		8 654	8 056	25 740
Total current assets		**495 866**	**432 299**	**439 743**
Total assets		**987 234**	**898 904**	**597 320**
EQUITY AND LIABILITIES				
Equity				
Share capital	5	119 047	119 047	119 047
Share premium		965 772	965 772	965 772
Other paid-in capital		30 691	30 691	30 691
Retained earnings		(777 579)	(639 043)	(675 435)
Total equity		**337 931**	**476 468**	**440 075**
Liabilities				
Non-current liabilities				
Pension liabilities		13 722	13 600	10 890
Convertible loans	11	40 943	22 742	31 120
Total non-current liabilities		**54 665**	**36 342**	**42 009**
Current liabilities				
Current borrowings	9	480 496	243 747	55 000
Convertible loans		0	0	0
Trade creditors		10 496	65 200	20 997
Other current liabilities		103 646	77 147	39 239
Total current liabilities		**594 638**	**386 094**	**115 236**
Total liabilities		**649 303**	**422 436**	**157 245**
Total equity and liabilities		**987 234**	**898 904**	**597 320**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

NOK 1 000	Share capital	Share premium	Other paid-in capital	Retained earnings	Total equity
Equity at 1 January 2014	40 813	740 387	29 570	(550 201)	260 570
Share issues	78 234	235 299	0	0	313 532
Share issue expenses (net after tax)	0	(9 914)	0	0	(9 914
Convertible loan (equity component (net after tax)	0	0	632	0	632
Share-based payment, bonus shares	0	0	489	0	489
Total compehensive loss for 01.01.14-30.09.14	0	0	0	(88 841)	(88 841)
Equity at 30 September 2014	**119 047**	**965 772**	**30 691**	**(639 043)**	**476 468**
Share issues	0	0	0	0	0
Total compehensive loss for 01.10.14-31.12.14	0	0	0	(36 393)	(36 393)
Equity at 31 December 2014	**119 047**	**965 772**	**30 691**	**(675 435)**	**440 075**
Total compehensive loss for 01.01.15-30.09.15	0	0	0	(102 144)	(102 144)
Equity at 30 September 2015	**119 047**	**965 772**	**30 691**	**(777 579)**	**337 931**

CONSOLIDATED CASH FLOW STATEMENT

NOK 1 000	Q3 2015 (unaudited)	Q3 2014 (unaudited)	YTD Q3 2015 (unaudited)	YTD Q3 2014 (unaudited)	Year 2014 (audited)
Cash flow from operating activities					
Loss before income tax	(145 286)	(85 796)	(440 887)	(319 249)	(477 722)
Adjustments:					
Tax refunded/paid	0	0	0	(173)	353 518
Depreciation	1 288	1 655	3 926	4 963	6 611
Gain/loss from sales of licences	0	(176)	404	(3 445)	(3 493)
Impairment of capitalised exploration expenses	71 414	0	169 332	0	66 880
Pensions	1 928	495	2 832	(3 084)	5 402
Expensed share-based payment recognised in equity	0	0	0	621	621
Transaction costs and interest on borrowings recognised in P&L	4 518	6 404	14 867	17 493	23 931
Changes in fair value of conversion rights and loans at amortised cost	98	289	165	657	555
Debt-financed exploration expenses without impact on cash flows	0	0	0	75 000	75 000
Changes in current payables, receivables and other accruals	(62 224)	18 642	(16 886)	(4 919)	(53 735)
Net cash flow from operating activities	**(128 263)**	**(58 487)**	**(266 246)**	**(232 137)**	**(2 432)**
Cash flow from investing activities					
Purchase of property, plant and equipment	0	(2 347)	(277)	(4 508)	(7 347)
Proceeds from sales of licences	0	624	(3 266)	3 666	3 666
Capitalised exploration and licence costs	(70 584)	(33 663)	(162 207)	(43 838)	(64 484)
Purchase of investments available for sale	(6 571)	0	(6 571)	0	0
Proceeds from payments of other non-current receivables	0	51	750	1 249	1 296
Net cash flow from investing activities	**(77 155)**	**(35 336)**	**(171 571)**	**(43 432)**	**(66 869)**
Cash flow from financing activities					
Funds drawn borrowings	190 000	100 676	439 531	338 851	512 183
Repayments of borrowings	0	(46 600)	0	(328 814)	(683 814)
Transaction costs and interest on borrowings paid	(3 483)	(5 566)	(18 800)	(12 856)	(19 772)
Net proceeds from share issues	0	0	0	271 420	271 420
Net cash flow from financing activities	186 517	48 510	420 731	268 601	80 017
Net change in cash and cash equivalents	**(18 902)**	**(45 313)**	**(17 086)**	**(6 967)**	**10 716**
Cash and cash equivalents at beginning of the period	27 556	53 369	25 740	15 024	15 024
Cash and cash equivalents at end of the period	**8 654**	**8 056**	**8 654**	**8 056**	**25 740**

Notes to the interim consolidated financial statements third quarter 2015

Note 1 - General and corporate information

These financial statements are the unaudited interim condensed consolidated financial statements of North Energy ASA and its subsidiary 4Sea Energy AS (hereafter "the group") for the third quarter of 2015. North Energy ASA is a public limited company incorporated and domiciled in Norway, with its main office located in Tromsø, Troms. North Energy ASA's shares were listed on Oslo Axess, an exchange regulated by the Oslo Stock Exchange, on 5 February 2010.

Note 2 - Basis of preparation

The interim accounts have been prepared in accordance with IAS 34 Interim Financial Reporting and the supplementary requirements in the Norwegian Securities Trading Act (Verdipapirhandelloven). The interim accounts do not include all the information required in the annual accounts and should therefore be read in conjunction with the the annual accounts for 2014. The annual accounts for 2014 were prepared in accordance with the EU's approved IFRS.

Note 3 - Accounting policies

The accounting policies adopted in the preparation of the interim accounts are consistent with those followed in the preparation of the annual accounts for 2014. New standards, amendments and interpretations to existing standards effective from 1 January 2015 did not have any material impact on the financial statements.

Note 4 - Critical accounting estimates and judgements

The preparation of the interim accounts entails the use of judgements, estimates and assumptions that affect the application of accounting policies and the amounts recognised as assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are considered to be reasonable under the circumstances. The actual results may deviate from these estimates. The material assessments underlying the application of the company's accounting policies and the main sources of uncertainty are the same for the interim accounts as for the annual accounts for 2014.

Note 5 - Share capital

Number of outstanding shares at 1 January 2015	119 047 065
New shares issued during the period	0
Number of outstanding shares at 30 September 2015	**119 047 065**
Nominal value NOK per share at 30 September 2015	1
Share capital NOK at 30 September 2015	119 047 065

Note 6 - Business segments

The group's only business segment is exploration for oil and gas on the Norwegian continental shelf.

Note 7 - Events after the balance sheet date

North Energy ASA has signed a sale and purchase agreement with Pure E&P Norway AS, whereby North Energy sells its 10 per cent interest in PL 708 to Pure. The effective date of the agreement is 1 January 2015, and the transaction is conditional on the approval of the Norwegian authorities.

Note 8 - Capitalised exploration and licence costs

Acquisition cost at 1 January 2015	11 540
Additions in period, capitalised exploration and licence costs *	162 207
Disposals in period, impairment **	(169 332)
Disposals in period, sale	0
Acquisition cost at 30 September 2015	**4 416**
Accumulated amortisation and impairment at 1 January 2015	0
Impairment in period **	(169 332)
Disposals **	169 332
Accumulated amortisation and impairment at 30 September 2015	**0**
Carrying amount at 30 September 2015	**4 416**

* Additions relate mainly to the drilling of exploration wells in PL 591 (Zumba), PL 616 (Haribo) and PL 510 (Tvillingen South).
** Disposals relate mainly to impairment of capitalised expenses in PL 591 (Zumba), PL 616 (Haribo) and PL 510 (Tvillingen South), owing to dry and non-commercial well results.

Note 9 - Current borrowings

	30.09.2015	30.09.2014	31.12.2014
Revolving credit facility (exploration loan), funds drawn	485 000	245 000	55 000
Revolving credit facility (exploration loan), transaction costs	(4 504)	(1 253)	0
Total carrying amount current borrowings	**480 496**	**243 747**	**55 000**

North Energy entered into an agreement in December 2014 to renew its NOK 950 million exploration financing facility for the 2015-2017 period. The agreement includes an option to increase the facility up to NOK 1 150 million. Interest rate is NIBOR + 1.7%

Note 10 - Income tax

Specification of income tax	YTD Q3 2015	YTD Q3 2014	Year 2014
Calculated refund tax value of exploration costs this year	318 735	299 120	373 624
Of this, refund not recognised in income statement (acquisition of licences recognised net of tax)	0	(46 384)	(45 735)
Correction refund previous years	0	1 135	1 298
Change deferred tax asset in balance sheet	19 673	(19 923)	30 179
Of this, deferred tax asset not recognised in income statement (acquisition of licences recognised net of tax)	0	(36)	(81)
Of this, deferred tax asset not recognised in income statement (sale of licences recognised net of tax)	0	(71)	(71)
Of this, deferred tax asset related to items in comprehensive income recognised in comprehensive income	0	0	(2 570)
Of this, deferred tax asset related to equity transactions recognised directly in equity	0	(3 433)	(3 433)
Total income tax credit	**338 408**	**230 407**	**353 212**

Specification of tax receivable, refund tax value exploration expenses	**30.09.2015**	**30.09.2014**	**31.12.2014**
Calculated refund tax value of exploration costs this year	318 735	299 120	373 624
Calculated refund tax value of exploration costs previous year	373 624	352 453	0
Correction refund previous years, not yet assessed	0	1 074	0
Total tax receivable, refund tax value exploration expenses	**692 359**	**652 647**	**373 624**
Of this:			
Classified as non-current	318 735	299 120	0
Classified as current	373 624	353 528	373 624

Oil exploration companies operating on the Norwegian continental shelf may claim a 78 per cent refund of their exploration costs limited to taxable losses for the year. The refund is paid in December the following year.

Specification of temporary differences, tax losses carried forward and deferred tax	**30.09.2015**	**30.09.2014**	**31.12.2014**
Property, plant and equipment	(4 924)	(4 557)	(4 121)
Capitalised exploration and licence costs	3 952	57 404	11 077
Pensions	(10 546)	4 066	(7 714)
Current borrowings	4 504	1 253	0
Convertible loans and conversion rights	579	642	744
Other current liabilities	0	0	0
Tax losses carried forward, onshore	(26 249)	(33 018)	(31 158)
Tax losses carried forward, offshore only 27% basis	(159 690)	(129 323)	(137 096)
Tax losses carried forward, offshore only 51% basis	(931)	(918)	(931)
Tax losses carried forward, offshore both 27% and 51% basis	(128 551)	(116 965)	(120 422)
Total basis for deferred tax	(321 857)	(221 416)	(289 622)
Deferred tax (liability)/asset	158 526	90 584	140 182
Not capitalised deferred tax asset (valuation allowance) *	(7 105)	(8 939)	(8 435)
Deferred tax (liability)/asset in the balance sheet	**151 420**	**81 645**	**131 748**

* Uncapitalised deferred tax asset relates mainly to onshore tax loss carried forward in subsidiary 4Sea Energy AS.

Reconciliation of effective tax rate	YTD Q3 2015	YTD Q3 2014	Year 2014
Profit/(loss) before income tax	(440 887)	(319 249)	(477 722)
Expected income tax credit 78%	343 892	249 014	372 623
Adjusted for tax effects (27% - 78%) of the following items:			
Permanent differences	(13)	(12 585)	(12 724)
Correction previous years	0	869	838
Interest on tax losses carried forward offshore	0	0	1 717
Finance items and different tax rate in subsidiary	(6 799)	(7 323)	(10 177)
Changed tax rates from 1 January 2014	0	0	0
Change in valuation allowance for deferred tax assets	1 329	432	936
Total income tax credit	**338 408**	**230 407**	**353 212**

Note 11 - Convertible loans

Convertible loans classified as non-current liabilities:

Convertible loans from TGS Nopec with a borrowing limit up to NOK 200 million and from Rex Technologies Management with a borrowing limit up to NOK 100 million. The conditions of the loans are eight per cent annual interest and maturity in March 2017, before which repayments may be made but are not mandatory. The lender has an annual conversion right on the loan which has accumulated over a 12-month period. The conversion price is NOK 8 per share. If the share price exceeds NOK 16 per share, however, the conversion price will be adjusted upwards equal to the share price minus NOK 8.

Note 12 - Investments available for sale

Investments available for sale are investments in stock exchange-listed shares. The investments are measured at fair value. Changes in fair value, other than impairment losses, are recognised in equity through the statement of comprehensive income.

Note 13 - Fair value of financial instruments

The carrying amount of cash and cash equivalents and other current receivables is approximately equal to fair value, since these instruments have a short term to maturity. Similarly, the carrying amount of trade creditors, other current liabilities and current borrowings is approximately equal to fair value, since the effect of discounting is not significant.

The carrying amount of convertible loans classified as non-current liabilities is approximately equal to fair value, since there have been no material changes in market interest rate and credit risk since the borrowings.

Fair value of available for sale investments is the stock market price at the balance sheet date (level 1 in the fair value hierarchy).

Fair value of conversion rights classified as a financial obligation (derivative) is calculated using a model which is based on observable data (level 2 in the fair value hierarchy).

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