



# THIRD QUARTER REPORT 2013

NOVEMBER 30, 2013

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Norse Energy Corp. ASA is listed in Norway (OSE ticker code "NEC").



# CORPORATE OVERVIEW AND DISCUSSION OF KEY EVENTS

Norse Energy Corp. ASA (the "Company" or "Norse") is an oil and gas exploration, development, and production company that has historically focused on US onshore oil and gas opportunities. On 10 October 2013, the Company's US subsidiaries NEC USA ("NEC USA") and NEHI ("NEHI") filed for Chapter 7 liquidation. As a result, the Company no longer holds title to the assets of these operating subsidiaries in the United States and the Company is in default on its interest bearing debt.

The board of directors is considering all options to preserve a future for the parent company NEC ASA. The ability of the Company to remain a going concern requires a new agreement with debt holders, a new business plan and new funding. Please see the section "Going Concern Assumption" below.

In December 2012, the Company's US Subsidiaries Norse Energy Corp. USA and Norse Energy Holdings Inc. filed voluntary petitions for protection under Chapter 11 of the US bankruptcy code.

During the second quarter of 2013, NEC USA reached an agreement with a Norwegian-based Special Purpose Vehicle funded by certain of NEC ASA's existing lenders for a USD 3.8 million Debtor-in-Possession ("DIP") loan for NEC USA and NEHI to fund continuing operations while in bankruptcy.

A requirement of the DIP loan was a court-sanctioned asset sale under the rules of section 363 of the Bankruptcy Code ("363 sale"). Bidding in the 363 sale, which closed on 23 August, resulted in less than expected bid values.

The DIP loan funded the Company's US subsidiaries' operations during the Chapter 11 process. However, the Norwegian parent company, Norse Energy Corp. ASA ("NEC ASA"), required separate funds to continue its operations. Consequently, during the second quarter, certain of NEC ASA's bondholders, convertible lenders, and shareholders reached an agreement (the "Restructuring") that facilitated a comprehensive restructuring that reduced NEC ASA's debt and provided new funding.

As a result of the Restructuring, the DIP loan and subsequent conversion of debt to equity, the Company's interest-bearing debt was approximately USD 9 million at the end of the third quarter.

The Company's third quarter activities focused primarily on completing the restructuring that was announced in April and generating cash from asset sales to pay down debt and fund operations. The key to unlocking the value of the Company's assets continued to be issuance of the Supplemental Generic Environmental Impact Statment (SGEIS). The status of SGEIS issuance remained uncertain during the quarter.

As of 30 September 2013, the Company owned or leased ~130,000 net acres covering multiple stacked pay formations in New York State in the Appalachian basin, one of the premier oil and gas provinces in the world. All of the Company's acreage was dependent on the State of New York issuing the Supplemental Generic Environmental Impact Statement ("SGEIS") that would allow High Volume Hydraulic Fracturing ("HVHF"). A more than 5 year delay in issuance of the SGEIS contributed to the Company' experiencing significant financial distress. Title to these assets, which are owned by the US subsidiary NEC USA, passed to the NEC USA bankruptcy estate on 10 October 2013 when the NEC USA Chapter 11 case was converted to a liquidating Chapter 7 case.

Trading in the Company's stock was halted on 23 September 2013.

By the end of the third quarter, the Company had reduced its staff to one employee.

## Basis of Preparation

The Company's US subsidiaries NEC USA and NEHI filed for bankruptcy Chapter 7 liquidation on 10 October 2013. The third quarter Condensed Consolidated Statements include the third quarter activity in the US subsidiaries. The US assets are written off with effect 30 September 2013. Included in the liabilities for the consolidated company are US interest bearing debt, USD 3.8 million plus interest and other short-term liabilities. After 10 October 2013, the US interest bearing debt and other liabilities will not be included in the consolidated financial statements for Norse ASA



# THIRD QUARTER HIGHLIGHTS AND SUBSEQUENT EVENTS

ALL REFERENCES TO USD IN THIS REPORT ARE IN USD 000's UNLESS THE TEXT INDICATES OTHERWISE)

## Third Quarter

- As part of the restructuring announced in April, the Company completed a rights issue with subscription of 43,585,535 new shares at price of NOK 0.25. Gross proceeds totaled NOK 10,896,383.75 (USD 1,862,215.88). Gross proceeds of USD 1,000,000 were retained by the Company. The remaining gross proceeds were used to partially repay the NEC07 bond loan at par. In association with the rights issue, the NEC07 lenders also converted USD 8,137,784.12 of the bond loan into 190,466,464 NEC shares. Following these transactions, the remaining outstanding NEC07 bond loan was USD 6 million.
- NEC USA was granted an extension, to 22 October 2013, of its exclusivity period to file a plan of reorganization by the US Bankruptcy Court.
- NEC USA retained The Oil & Gas Clearinghouse to broker the sale of some or all of the Company's assets in a 363 sale, in accordance with its DIP loan obligations.
- The bids in the 363 sale were less than anticipated. NEC USA announced that it was evaluating its options, including continuing the sales process.
- The Company's Chief Financial Officer, Chris Steinhauser, announced his resignation effective 6 September 2013, and was replaced on an interim basis by Mark Dice, Chief Executive Officer.
- The NEC USA Chapter 11 Creditors' Committee is pursuing claims against NEC ASA, NEHI, certain officers and directors, and others. The Company believes that the claims are without merit and intends to vigorously oppose.
- In an important step toward resolution of New York's "Home Rule" issue, the New York Court of Appeals granted Norse leave to appeal a lower court decision in Norse v. Dryden, that New York municipalities have the authority to ban oil and gas development in the state. Since there was no right to appeal, in granting this leave to appeal, the court sent a strong signal that the legal issues will get a fresh look by New York's highest court.
- During the third quarter, the Company received notifications of conversion for USD 917,727 of its NEC07 convertible loan at NOK 0.30 per share. At the end of the third quarter, the total NEC07 outstanding was USD 5,082,273.
- During the third quarter, the Company received notifications of conversion for all of its outstanding NOK 7.1 million in convertible loans. As a result, the convertible loans have been repaid in full and settled.
- Trading in the Company shares was halted on the Oslo Stock Exchange on 23 September 2013.
- At the end of the third quarter the Company's share capital is NOK 57,313,175.925 divided on 764,175,679 shares, each having a par value of NOK 0.075.

## Subsequent Events

- On 10 October 2013, the Chapter 11 cases for both NEC USA and its US parent, Norse Energy Holdings, Inc. (NEHI), were converted to Chapter 7 liquidations. As a result, Norse Energy Corp. ASA no longer holds title to the assets of these operating subsidiaries in the United States of America. The Company further announced that it is working diligently to preserve a future for Norse Energy Corporation ASA.
- As a result of converting Chapter 11 cases for both NEC USA and its US parent, Norse Energy Holdings, Inc. (NEHI) to Chapter 7 liquidation cases, the Company is in default of its interest bearing debt.



# OUTLOOK

Following a greater than five year delay in issuance of the SGEIS environmental regulations that would allow high volume hydraulic fracturing of shale formations, Norse Energy's US subsidiaries, NEC USA and NEHI, filed for Chapter 7 liquidation of the large resource base they held on ~130,000 owned or leased acres in the state of New York. The Company no longer holds title to those assets.

The board of directors is now working diligently to preserve a future for the parent company Norse Energy ASA. Future operations will require a new agreement with debt holders, a new business plan and new funding.

## Going Concern

The third quarter of 2013 financial statements have been prepared pursuant to the going concern assumption, in accordance with section 3-3 of the Norwegian Accounting Act.

In December 2012, the Company announced that its US subsidiaries Norse Energy Corp. USA ("NEC USA") and Norse Energy Holdings Inc ("NEHI") filed voluntary petitions for Chapter 11 bankruptcy protection and re-organization under the United States Bankruptcy Code.

During the second quarter of 2013, NEC USA reached an agreement with a Norwegian-based Special Purpose Vehicle funded by certain of NEC USA's existing lenders for a USD 3.8 million Debtor-in-Possession ("DIP") loan for NEC USA and NEHI to fund continuing operations while in bankruptcy.

During the second quarter, certain of NEC USA's bondholders, convertible lenders, and shareholders reached an agreement (the "Restructuring") that facilitated a comprehensive restructuring that reduced debt and provided new funding for NEC USA. Following the restructuring, the DIP loan and subsequent conversion of debt to equity, the Company's interest bearing debt was approximately USD 9 million at the end of the third quarter.

A requirement of the DIP loan was a court-sanctioned asset sale under the rules of section 363 of the Bankruptcy Code ("363 sale"). The Company was not able to sell any of its assets in the 363 sale process.

On 10 October, the company converted the Chapter 11 cases for its US subsidiaries NEC USA and NEHI to liquidating Chapter 7 cases.

As the Chapter 7 filings took place subsequent to the end of the third quarter, the group financial statements as of 30 September 2013 include the US subsidiaries total liabilities of approximately UDS 10 million. From 10 October the subsidiaries will be derecognized and the Company will no longer carry any of the former US subsidiary assets or liabilities, on its balance sheet. Remaining debt in NEC USA is approximately USD 5 million, while the Company's cash balance and total assets were approximately USD 215 thousand on 30 September 2013.

## **The company faces significant challenges related to liquidity and debt covenant compliance.**

The Company's continued operation is now dependent on development of new business opportunities, restructuring of its NEC07 debt and securing new funding. The Board of Directors and management are evaluating new business options. With commitment from NEC07 bondholders having ownership sufficient to carry a vote in a bondholders meeting to write down or convert all of the outstanding NEC07 bond debt, certain shareholders are preparing to provide new funding to sustain the Company while new business possibilities are being evaluated. If successful in developing new business opportunities, the Company will evaluate options for re-capitalizing the firm.

## **Failure to develop new business opportunities, restructure NEC07 debt and secure new funding in a timely manner will result in the Company filing for bankruptcy.**

## Basis of Preparation

The Company's US subsidiaries NEC USA and NEHI filed for bankruptcy Chapter 7 liquidation on 10 October 2013. The third quarter Condensed Consolidated Statements include the third quarter activity in the US subsidiaries. The US assets are written off with effect 30 September 2013. Included in the liabilities for the consolidated company are US interest bearing debt, USD 3.8 million plus interest and other short-term liabilities. After 10 October 2013, the US interest bearing debt and other liabilities will not be included in the consolidated financial statements for Norse ASA. This will reduce the loans with USD 4 million and accounts payable with USD 6 million.

## **Risk Factors**

There are numerous risk factors that should be reviewed by an investor in the Company. However, *business planning, debt restructuring and liquidity* are now the most significant of those risks.

As a result of NEC USA and NEHI converting their Chapter 11 bankruptcy cases to liquidating Chapter 7 cases, the Company is in default on its NEC07 bond debt. The Company currently is generating no revenue and assets are insufficient to cover the Company's liabilities.

The Company's continued operation is now dependent on development of new business opportunities, restructuring its NEC07 debt and securing new funding. The Board of Directors and management are having conversations with NEC07 bondholders and are evaluating new business options. Certain shareholders are preparing to provide new funding to sustain the Company if NEC07 restructuring can be completed. If successful in developing new business opportunities, the Company will evaluate options for re-capitalizing the business.

The NEC USA committee representing unsecured creditors is pursuing claims against NEC ASA, NEHI, certain officers and directors, and others. The Company believes the claims are without merit and intends to vigorously oppose.

**Failure to develop new business opportunities, restructure NEC07 debt and secure new funding in a timely manner will result in the Company filing for bankruptcy.**



# INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## Consolidated Statement of Comprehensive Income

Norse Energy Corporation ASA (USD in thousands except earnings per share)					
		For the three months ended		For the nine months ended	
		30 September 2013	30 September 2012	30 September 2013	30 September 2012
	Footnote				
REVENUES AND OTHER INCOME					
Oil and gas revenue		20	26	76	103
Other Income		-	161	8	211
Total revenues and other income		20	187	84	314
OPERATING EXPENSES					
Production expenses		12	31	54	79
Exploration and delay rental expenses	5	330	919	1,450	2,236
General and administrative expenses		1,297	2,288	4,933	8,453
EBITDA		(1,618)	(3,051)	(6,352)	(10,454)
Depreciation	6	3	67	100	346
Debt forgiveness		-	-	-	-
Impairment		7,757	-	7,757	-
Total operating expense		9,399	3,305	14,294	11,114
EBIT - Net operating loss		(9,378)	(3,118)	(14,209)	(10,800)
FINANCIAL ITEMS					
Net Interest expense		(164)	(577)	(1,394)	(5,956)
Net foreign exchange gain (loss)		-	8	78	(721)
Gain (loss) on warrants & other instruments		23	2,032	(10,057)	945
Other financial expenses		-	75	(4,823)	3,589
Net financial items		(141)	1,538	(16,196)	(2,143)
Loss before tax		(9,519)	(1,580)	(30,405)	(12,943)
Income tax benefit (expense)		-	-	-	-
Net loss		(9,519)	(1,580)	(30,405)	(12,943)
Net income (loss) from discontinued operations net of tax			(161)		1,801
Net loss		(9,519)	(1,741)	(30,405)	(11,142)
Basic diluted earnings per share from continuing operations		(0.01)	(0.01)	(0.04)	(0.13)
Basic diluted earnings per share from discontinued operations			(0.00)		0.02

## Condensed Consolidated Statement of Financial Position

Norse Energy Corporation ASA (USD in thousands)			
		At 30 September 2013	At 31 December 2012
	Footnote		
ASSETS			
Non-current assets			
Intangible assets			
License interest and exploration Assets	4	-	7,664
Total intangible assets		-	7,664
Properties and field investments			
Field investments and equipment	5		-
Other fixed assets	5	1	200
Total properties and field investments		1	200
Other non-current assets		-	52
Total non-current assets		1	7,916
Current assets			
Accounts receivables and other short-term assets		118	464
Cash and Cash equivalents		96	862
Total current assets		214	1,326
TOTAL ASSETS		215	9,242
EQUITY AND LIABILITIES			
Equity			
Paid in Capital	9	21,787	21,713
Treasury Shares		-	(14)
Other Paid in Capital		-	-
Total paid-in equity		21,787	21,699
Other Equity		(37,013)	(39,703)
Loss		-	-
Reduction of debt		-	-
Total Equity		(15,226)	(18,004)
Non-current liabilities			
Long-term interest-bearing debt	6	5,146	-
Asset retirement obligations		-	57
Other non-current liabilities	9	-	166
Total non-current liabilities		5,146	223
Current liabilities			
Short-term interest-bearing debt	6	4,000	20,339
Accounts Payable		6,296	6,436
Other current liabilities	9	-	248
Total current liabilities		10,296	27,023
TOTAL EQUITY AND LIABILITIES		215	9,242



## Condensed Statement of Changes in Equity

<b>Norse Energy Corporation ASA (USD in thousands)</b>			
	For the nine months ended		
	30-Sep-2013		30-Sep-2012
Opening balance January 1	(18,004)		(26,456)
Net Loss for the period	(30,405)		(11,142)
Total comprehensive income(loss) for the period	(30,405)		(11,142)
	-		
Proceeds for issuance of shares exchanged for debt	32,556		16,343
Option Premium on convertible notes	-		2,693
Employee share option	627		318
Closing balance period end	(15,226)		(18,245)

## Condensed Consolidated Statement of Cash Flows

<b>Norse Energy Corporation ASA (USD in thousands)</b>			
	For the nine months ended		
	30-Sep-13		30-Sep-12
OPERATING ACTIVITIES			
Net Loss	(30,405)		(11,142)
Discontinued	-		(1,801)
Depreciation	7,857		346
Market Adjustment	14,903		(945)
Loss on assets	-		(269)
Gain on debt	-		(4,938)
Loss on sale of Herkimer	-		675
Interest income			(72)
Interest expense	1,231		6,028
Change in accounts receivable	(346)		725
Change in accounts Payable	140		(2,214)
Other adjustments	837		1,340
Cash flows used in operating activities	(5,783)		(12,267)
Proceeds from sale of assets	-		22,011
Proceeds from sale of Herkimer assets	-		34,410
Investement in fixed assets	-		(398)
Cash flow used in investing activities	-		56,023
FINANCING ACTIVITIES			
DIP Loan	3,800		-
Proceeds from issuance of debt			3,553
Net interest received(paid)	-		(4,774)
Repayment of debt			(45,120)
Conversion of loans	1,217		-
Cash flow used in financing actiivities	5,017		(46,341)
Effects of foreign currencies on cash balances	-		70
Net cash provided by discontinued operations			917
Change in Cash	(766)		(1,598)
Cash at beginning of period	862		3,955
Cash at end of period	96		2,357



# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## Note 1. Organization and basis of preparation

### General information and organization

Norse Energy Corp. ASA is a public limited liability company incorporated and domiciled in Norway. The address of the main office is Munkedamsveien 35, 3rd floor, 0250 Oslo, Norway. The principal activity of Norse Energy Corp. ASA and its subsidiaries is the acquisition, exploration, and development of oil and natural gas properties in the United States.

Trading in the the Company's shares on the Oslo Stock Exchange under the ticker symbol NEC was halted on 23 September 2013.

The interim financial statements for the third quarter of 2013 were authorized for issue by the Board of Directors on 30 November 2013.

### Basis of preparation

The consolidated financial statements for 2012 and 2013 were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and the Norwegian accounting act. These interim financial statements are prepared in accordance with International Accounting Standard 34 *Interim Financial reporting* as issued by the International Accounting Standards Board (IASB). The accounting policies and methods of computation followed in the interim financial statements are the same as compared with the most recent annual financial statements. The interim financial statements have not been audited or subject to a review. The interim financial statements do not include all of the information and footnotes required by IFRS for a complete set of financial statements and should be read in conjunction with the consolidated annual financial statements for 2012. The annual financial statements for 2012 are available at [www.norseenergycorp.com](http://www.norseenergycorp.com).

The Company's US subsidiaries NEC USA and NEHI filed for bankruptcy Chapter 7 liquidation on 10 October 2013. The third quarter Condensed Consolidated Statements include the third quarter activity in the US subsidiaries. The US assets are written off with effect 30 September 2013. Included in the liabilities for the consolidated company are US interest bearing debt, USD 3.8 million plus interest and other short-term liabilities. After 10 October 2013, the US interest bearing debt and other liabilities will not be included in the consolidated financial statements for Norse ASA. This will reduce the loans with USD 4 million and accounts payable with USD 6 million.

On 16 May 2012, the Company completed the sale of its operated production, ~22,000 held by production ("HBP") and owned acres, the associated natural gas gathering system, and pipeline rights of way in Central New York as further described in Note 2. As a consequence of the sale, the results from operations associated with the assets are presented on a separate line of the Statement of Comprehensive Income and Statement of Cash Flows as discontinued operations.

All references herein as to number of shares, number of shares issuable upon exercise of options, warrants, or conversion of debt instruments and associated exercise or conversion prices reflect the 10-1 reverse stock split announced by the Company on May 29, 2012.

### Going Concern

The third quarter of 2013 financial statements have been prepared pursuant to the going concern assumption, in accordance with section 3-3 of the Norwegian Accounting Act.

In December 2012, the Company announced that its US subsidiaries Norse Energy Corp. USA ("NEC USA") and Norse Energy Holdings Inc ("NEHI") filed voluntary petitions for Chapter 11 bankruptcy protection and re-organization under the United States Bankruptcy Code.

During the second quarter of 2013, NEC USA reached an agreement with a Norwegian-based Special Purpose Vehicle funded by certain of NEC ASA's existing lenders for a USD 3.8 million Debtor-in-Possession ("DIP") loan for NEC USA and NEHI to fund continuing operations while in bankruptcy.

During the second quarter, certain of NEC ASA's bondholders, convertible lenders, and shareholders reached an agreement (the "Restructuring") that facilitated a comprehensive restructuring that reduced debt and provided new funding for NEC ASA. Following the restructuring, the DIP loan and subsequent conversion of debt to equity, the Company's interest bearing debt was approximately USD 9 million at the end of the third quarter.

A requirement of the DIP loan was a court-sanctioned asset sale under the rules of section 363 of the Bankruptcy Code ("363 sale"). The Company was not able to sell any of its assets in the 363 sale process.

On 10 October, the company converted the Chapter 11 cases for its US subsidiaries NEC USA and NEHI to liquidating Chapter 7 cases.

As the Chapter 7 filings took place subsequent to the end of the third quarter, the group financial statements as of 30 September 2013 include the US subsidiaries total liabilities of approximately USD 10 million. From 10 October the subsidiaries will be derecognized and the Company will no longer carry any of the former US subsidiary assets or liabilities, on its balance sheet. Remaining debt in NEC ASA is approximately USD 5 million, while the Company's cash balance and total assets were approximately USD 215 thousand on 30 September 2013.

**The company faces significant challenges related to liquidity and debt covenant compliance.**

The Company's continued operation is now dependent on development of new business opportunities, restructuring of its NEC07 debt and securing new funding. The Board of Directors and management are evaluating new business options. With commitment from NEC07 bondholders having ownership sufficient to carry a vote in a bondholders meeting to write down or convert all of the outstanding NEC07 bond debt, certain shareholders are preparing to provide new funding to sustain the Company while new business possibilities are being evaluated. If successful in developing new business opportunities, the Company will evaluate options for re-capitalizing the firm.

**Failure to develop new business opportunities, restructure NEC07 debt and secure new funding in a timely manner will result in the Company filing for bankruptcy.**

## **Note 2. Sale of Herkimer assets**

On 15 March 2012, the Company announced the USD 37 million asset sale. Conveyed assets included substantially all of the Company's producing wells, approximately 23,000 held by production ("HBP"), or owned acres, the associated natural gas gathering system, and pipeline rights of way in Central New York. Norse retains a 37.5% working interest in all deep formations, including the Utica Shale on the conveyed acres. The buyer also received a three year warrant to purchase 8.1 million Company shares (post 10-1 reverse split) at a strike price of NOK 4.00 per share. The transaction was closed on 16 May 2012.

The buyer was EmKey Resources, LLC, a private company, led and partially owned by Øivind Risberg at the time of the sale. Mr. Risberg was a Norse board member at the time of the sale and former Norse Energy CEO. As part of this transaction, EmKey has committed to construct a new pipeline system in Central New York capable of transporting at least 90,000 Mcf/day for 15 years once Norse so nominates.

A loss of USD 36.4 million was recorded in the fourth quarter of 2011 in the form of impairment. Through the first six months of 2012 an additional loss of USD 545 thousand was recorded. The results from operations associated with the assets are presented on a separate line of the Statement of Comprehensive Income and Statement of Cash Flows as discontinued operations. Adjustments to assets and/or liabilities related to the final settlement will affect the cash proceeds and the gain/loss calculated below for periods beyond this balance sheet date.

<b>(in USD thousands)</b>	<b>Note</b>	<b>Total</b>
Purchase price		37,000
Purchase price and closing adjustments		(998)
Commissions & other		(1,094)
Funds held in escrow		(440)
<b>Net proceeds from sale</b>		<b>34,468</b>
Less: net assets sold		(33,100)
Warrants issued as a condition of sale	7	(1,382)
Firm transportation reimbursement		(531)
<b>Gain/(loss) on sale</b>		<b>(545)</b>

### Note 3. Discontinued operations

As a result of the sale of the Herkimer assets finalised on 16 May 2012, the Company's Herkimer assets are considered discontinued operations in accordance with IFRS 5. The tables presented below show the results of discontinued operations, for all comparative periods presented in this report.

Statement of comprehensive income				
	For the three months ended		For the nine months ended	
	30 September	30 September	30 September	30 September
(in USD thousands)	2013	2012	2013	2012
Revenues	-	-	-	3,428
Expenses	-	31	-	952
EBITDA	-	(31)	-	2,476
Depreciation	-	-	-	-
Impairment	-	-	-	-
EBIT	-	(31)	-	2,476
Financial income	-	-	-	-
Net foreign exchange loss	-	-	-	-
Net income (loss) before tax	-	(31)	-	2,476
Income tax benefit	-	-	-	-
Net income (loss)	-	(31)	-	2,476
Loss on sale of assets	-	(130)	-	(675)
Total net income (loss) on discontinued operations	-	(161)	-	1,801
Statement of cash flows				
			For the nine months ended	
			30 September	
(in USD thousands)			2012	
Net cash provided by (used in) operating activities				999
Net cash provided by (used in) investing activities				(82)
Net cash provided by (used in) financing activities				
Net cash provided by (used in) discontinued operations				917

### Note 4. Exploration costs

	For the three months ended		For the nine months ended	
	30 September	30 September	30 September	30 September
(in USD thousands)	2013	2012	2013	2012
Seismic acquisitions, G&G costs, and general exploration costs	330	916	1450	2230
Dry-hole costs				
Other exploration costs expensed		3		6
Total exploration investment during the period	330	919	1450	2236

## Note 5. Property, plant, and equipment and intangible assets

	Licenses and exploration assets	Other fixed Assets	Total
(in USD thousands)			
Acquisition costs at 1 January 2013	7,664	2,217	9,881
Investments in continuing operations			-
Disposals	-	(2,200)	(2,200)
Acquisition costs at 30 September 2013	7,664	17	7,681
Accumulated depreciation/impairment at 1 January 2013	(7,664)	(2,026)	(2,026)
Depreciation/impairment from continuing operations	-		
Disposals	-	2,010	2,010
Accumulated depreciation/impairment at 30 September 2013	(7,664)	(16)	(16)
Net carrying value at 30 September 2013	-	1	1

## Note 6. Interest-bearing debt

Below is a summary of the Company's interest bearing debt as of September 30.							
(in USD thousands, except conversion price)	Instrument Type	Carrying Amount	Interest Rate	Effective Date	Maturity Date	Conversion Price (USD)	Conversion Price (NOK)
NEC07 Bond Loan	Convertible Bond	5,082	5% Fixed	4/2/2012	4/2/2015	0.05	0.30
Start UP 271 AS (DIP Loan)	Debtor in Possession Loan	3,800	12% Fixed	4/12/2013	1/13/2014	N/A	N/A
Start UP 271 AS: This loan is related to restructuring of the US subsidiaries. The US companies filed for bankruptcy liquidation October 10. After 3rd quarter 2013, the company will not show this loan in the consolidated accounts.							

## Convertible Loans

In the third quarter of 2012 the Company executed 7 convertible loan agreements for total loan proceeds of NOK 21.5 million. The convertible loans were unsecured, carried a 10% coupon, and were 3 years in duration. The loans were convertible into ordinary shares in Norse Energy at anytime during the life of the loans commencing on the first calendar day of the fourth month following the Funding Date. The conversion prices were the lesser of the volume weighted average trading price the five days preceding the payment day of the loan, but were subject to adjustment to match the issue price in any private placement or rights issue prior to 1 July 2015. In conjunction with the Restructuring (Note 9), all of the NOK 21.5 million convertible loans were converted to 86,000,000 shares of Company stock during the quarter ended 30 June 2013 at a conversion price of NOK .25. In accordance with IFRIC 19, the profit and loss impact of the conversion of the NOK 21.5 million convertible loans was calculated as the difference between the carrying amount of the financial liability extinguished and consideration paid and has been recorded in the Consolidated Statement of Comprehensive Income as a loss of approximately USD 2.8 million.

Effective 29 April 2013 the Company executed convertible loans for NOK 7,100,000 with fixed 5% interest with a 29 January 2014 maturity date and a conversion price of NOK 0.075. All of the NOK 7,100,000 convertible debt has been converted to stock of the Company.

## Convertible Bond

On 2 April 2012 the Company issued convertible bond NEC07 with principal amount minimum USD 21 million settled by conversion of principal amount of NEC02/04/05 bonds (pro rata). The convertible debt had a strike of NOK 3.63 per share (subject to adjustment clauses), carries a 5% coupon, is 3 years in duration, contains a call provision, and is secured by the shares in the Company's wholly owned subsidiary, Norse Energy Holdings Inc. In conjunction with the Restructuring (Note 9), the conversion price was reset to NOK 0.30 per share subject to possible adjustment.

Fair value has been estimated by a third party provider using alternative valuation techniques. Due to the specific nature of the NEC07 bond loan IAS 32 requires that the initial value of the conversion feature is allocated directly to equity.

In conjunction with the Restructuring (Note 9), (a) all outstanding and unpaid interest of USD 1,050,000 was converted into 81,918,200 of Company stock at conversion price of NOK 0.075, (b) the bondholders waived right to receive interest payment in the period from and including 16 May 2013 to and including 1 April 2014, (c) USD 6 million of the outstanding bond was converted into 140,431,200 shares of Company stock at an agreed upon conversion price of NOK 0.25 and (d) the Company completed a rights offering whereby USD 8,137,784 of the bond was converted to 190,466,464 shares of Company stock at an agreed upon conversion price of NOK 0.25

and a principle reduction of USD 862,216 was made with proceeds from the offering. Additionally, another USD 917,727 was converted into shares of Company stock at a conversion price of NOK 0.30 per share subsequent to 30 June 2013.

In accordance with IFRIC 19, the profit and loss impact of the conversion of USD 6.0 million of the NEC 07 convertible bonds was calculated as the difference between the carrying amount of the financial liability extinguished and consideration paid and has been recorded in the Consolidated Statement of Comprehensive Income as a loss of approximately USD 4.5 million.

### **Debtor in Possession (DIP) Loan**

In April 2013 certain of the Company's US subsidiaries, Norse Energy Corp. USA ("NEC USA") and Norse Energy Holdings, Inc. ("NEHI") closed on a USD 3.8 million Debtor in Possession (DIP) loan with a Norwegian-based Special Purpose Vehicle funded by certain existing Norse Energy Corp. ("NEC ASA") lenders.

The terms of the loan provided for an interim advance of up to USD 800,000 with the balance to be advanced in successive draws thereafter. At June 30, 2013 the outstanding balance was USD 3,200,000. In August 2013 the remaining USD 600,000 was advanced.

The loan bears interest at 12% per annum payable at maturity and has a maximum term of 9 months. A 6% commitment fee is assessed on the undrawn portion of the DIP loan. The loan is collateralized by the assets of the US subsidiaries and requires that NEC USA enter into a process within 90 days of court approval of the interim advance to sell assets.

### **Debt Covenants**

At 10 October 2013, the company was in default of its interest bearing debt due to filing for Chapter 7 liquidation by certain of the US subsidiaries.

## **Note 7. Warrants & Loan Conversion Features**

### **Management Warrants**

On 31 May 2013 the extraordinary general meeting ("EGM") resolved the Company issue a total of 94,000,000 non-transferable warrants to the management of the Company, each warrant giving the warrant holder the right to subscribe for one (1) share in the Company exercisable at NOK 0.10 per share. The warrants may be exercised at any time in the period from the later of (i) the date one year after the EGM and (ii) the date the DIP financing has been fully repaid (including interest), to and including the date five years after the date of the EGM.

### **NEC F Warrants**

On 16 May 2012, the extraordinary general meeting resolved that the Company issue a total of 8,100,000 warrants, each warrant giving the warrant holder the right to subscribe for one (1) share in the Company exercisable at NOK 4.00 per share. The Warrants were issued to the buyers of the Herkimer assets, EmKey Resources LLC. As of the date of this report no warrants have been redeemed.

### **NEC 06 Warrants**

On 30 March 2012, the extraordinary general meeting resolved that the Company issue a total of 750,000 warrants, each warrant giving the warrant holder, the right to subscribe for one (1) share in the Company exercisable at 2.80 per share. The warrants were issued to the holders of bonds in the NEC06 bond loans on 2 April 2012. The warrants expired in April 2013.

### **NEC K Warrants**

On 26 January 2010, the extraordinary general meeting resolved that the Company issue a total of 5,543,000 warrants, each warrant giving the warrant holder, the right to subscribe for one (1) share in the Company exercisable at NOK 22.10 per share. The warrants were issued to the subscribers to NEC02, NEC03, NEC04 and NEC05. The warrants are listed on the OSE under the ticker code NEC K. As of the date of this report no warrants have been redeemed.

The NEC K warrants are measured at fair value with reference to the quoted price of the warrants on the OSE. The NEC F warrants and management warrants are not publically traded. Fair value has been estimated by a third party provider using alternative valuation techniques. The NEC K and NEC F warrants are not considered to have a dilutive effect on earnings per share as they were out-of-the-money compared to the average price per share in 2012 and 2013.



## Conversion Features of Warrants and Convertible Debts

The conversion features are not considered to have a dilutive effect on earnings per share as they were out-of-the-money compared to the average price per share in 2013.

Below is a summary of the Company's outstanding warrants as of September 30th 2013						
Description	Number of Warrants	Issue Data	Maturity Date	Carrying Amount	Exercise Price (USD)	Exercise Price (NOK)
Management Warrants	94,000,000	6/2/2013	6/2/2018	-	0.02	0.10
Below is a summary of the Company's outstanding conversion features on convertible debt as of 30 September 2013						
Description	Number of Shares if converted	Issue Data	Maturity Date	Exercise Price (USD)	Exercise Price (NOK)	
NEC 07 Bond Loan		4/2/2012	4/2/2015	0.05	0.30	

## Note 8. Contingent liabilities

### Legal Proceedings

The Company is involved in various legal proceedings, which are disclosed in the Company's consolidated annual financial statements for 2012. The Company does not anticipate any liability arising from these proceedings and therefore no accrual has been made related to these matters.

Bradford Drilling is seeking a return of USD 7.65 million of the USD 9 million that they provided to the NEC USA as part of a Drilling Program. The Company advised Bradford that approximately USD 3.3 million remained to be allocated to the program and that it anticipated allocating those funds when the program resumed or as needed to address ongoing program expenses. The Company does not anticipate any additional liability and therefore no accrual has been made related to the lawsuit. Bradford also seeks USD 10 million in punitive damages. In connection with the litigation, a New York court denied a motion for summary judgment filed by Bradford and directed the parties to establish an escrow account into which Norse would have been required to deposit USD 7.65 Million.

The Company announced that NEC USA and NEHI filed voluntary petitions for Chapter 11 protection and re-organization under the United States Bankruptcy Code. The Bradford Drilling Associates XXIX L.P. litigation, including the escrow obligation, was stayed by NEC USA's voluntary petition for Chapter 11 bankruptcy protection.

The Company announced that NEC USA and NEHI converted their Chapter 11 cases to liquidating Chapter 7 cases on 10 October 2013. The Bradford Drilling Associates XXIX L.P. litigation, including the escrow obligation is a claim against the NEC USA estate.

The NEC USA creditors' committee is pursuing claims against NEC ASA, NEHI, certain officers and directors, and others. The Company believes the claims are without merit and intends to vigorously oppose.

## Note 9. Restructuring

The purpose of the "DIP" financing (Note 6) described above was to fund the US subsidiaries operations during the Chapter 11 process. The Norwegian parent company, Norse Energy Corp. ASA ("NEC ASA"), requires a separate source of funds and on 24 April 2013, certain of NEC ASA's bondholders, convertible lenders and shareholders reached an agreement (the "Restructuring") that (i) facilitated a comprehensive restructuring of the Group's balance sheet and (ii) provided new funding for the NEC ASA entity.

The Restructuring was comprised of (i) reduction of the Company's par value from NOK 1.20 to NOK 0.075 (ii) the funding of NOK 7.1 million in new Convertible Loans to the Company (Note 6), (iii) conversion of certain unpaid interest of USD 1,050,000 under the NEC 07 Bond Loan into equity in the Company, (iv) certain amendments to the Bond Loan, including a conversion of the NOK equivalent of minimum USD 6,000,000 and maximum USD 15,000,000 of the principal amount of the NEC 07 Bond Loan into equity in the Company, (v) a conversion of the entire outstanding principal, totalling NOK 21.5 million, of the existing convertible Loans into equity in the Company and waiver of accrued interest thereon (Note 6), (vi) issue of warrants by the Company to the Management (Note 7) , and (vii) a rights offering (Note 10) of new shares in the Company with gross proceeds of up to the NOK equivalent of USD 10,000,000 which was completed in July 2013.

The Company completed its rights offering whereby 48,585,535 shares of the Company were subscribed at price of NOK 0.25, USD 8,137,784 of the NEC07 bond debt was converted to 190,466,464 shares of Company stock at



an agreed upon conversion price of NOK 0.25 and a principle reduction of USD 862,216 was made with proceeds from the rights offering. Additionally, USD 917,727 of the remaining NEC07 bond debt was converted to shares of Company stock at a conversion price of NOK 0.30 per share.

All of the Company's NOK 7,100,000 convertible debt has been converted to stock of the Company.

## **Note 10. Subsequent Events**

On 10 October 2013, the Chapter 11 cases for both NEC USA and its US parent, Norse Energy Holdings, Inc. (NEHI), were converted to Chapter 7 liquidations. As a result, Norse Energy Corp. ASA no longer holds title to the assets of these operating subsidiaries in the United States of America. The Company further announced that it is working diligently to preserve a future for Norse Energy Corporation ASA.

As a result of converting Chapter 11 cases for both NEC USA and its US parent, Norse Energy Holdings, Inc. (NEHI) to Chapter 7 liquidation cases, the Company is in default of its interest bearing debt.



# GLOSSARY

<b>Bbl</b>	One barrel of oil, equal to 42 US gallons or 159 liters
<b>Bcf</b>	Billion cubic feet
<b>Blpd</b>	Barrells of liquid per day
<b>Bm<sup>3</sup></b>	Billion cubic meter
<b>BOE</b>	Barrel of oil equivalent
<b>Btu</b>	British Thermal Units, energy needed to heat one pound of water by one degree Fahrenheit
<b>Dth</b>	Decatherm, the approximate energy equivalent of burning 1000 cubic feet of natural gas
<b>EBITDA</b>	Earnings (Net Income) before Interest, Taxes, Depreciation and Amortization and viewed by many financial analysts as a short form estimate of cash from operations, although it is not a measurement recognized in the accounting literature
<b>EBITDAX</b>	An Oil and Gas industry term which adds back certain Exploration costs, such as the Company's acquisition of 3D Seismic, to EBITDA. Exploration costs, such as 3D Seismic, are not operating expense in the sense that they vary with operational activities. They are more like capital spending investments in that they are large expenditures which provide value to developemnt activities across a number of years and are not likely to be recurring. The accounting literature recognizes Exploration costs as Operating Expense which reduces EBITDA for this type of non-recurring expense.
<b>HBP</b>	Hold by Production means holding the future right to develop all of the acreage in all leases in the drilling unit in all geological formations for life of the producing well.
<b>IP</b>	Initial production
<b>Mcf</b>	Thousand cubic feet
<b>Mcf/d</b>	Thousand cubic feet per day
<b>MMcf</b>	Million cubic feet
<b>MMBBL</b>	Million barrels of oil
<b>MMBOE</b>	Million barrels of oil equivalents
<b>MMBtu</b>	Million British thermal units
<b>MMm<sup>3</sup></b>	Million cubic meters
<b>NGLs</b>	Natural Gas Liquids
<b>Spud</b>	The initial contact of a drill bit with the ground surface as the drilling of a well begins
<b>Tcf</b>	Trillion cubic feet
<b>TCFGE</b>	Trillion cubic feet of gas equivalent
<b>1P</b>	Proved Reserves are those quantities of reserves, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under defined economic conditions, operating methods, and government regulations.
<b>2P</b>	Probable Reserves are those additional Reserves which analysis of geoscience and engineering data indicate are less likely to be recovered than Proved Reserves but more certain to be recovered than Possible Reserves.
<b>3P</b>	Possible Reserves are those additional reserves which analysis of geoscience and engineering data suggest are less likely to be recoverable than Probable Reserves.
<b>2C</b>	Contingent Resources – those quantities of resources estimated as of a given date to be potentially recoverable from known accumulations by application of development projects but which are not considered to be commercially recoverable due to one or more contingencies

## **Disclaimer**

This report does not constitute an offer to buy or sell shares or other financial instruments of Norse Energy Corp. ASA ("Company"). This presentation contains certain statements that are, or may be deemed to be, "forward-looking statements", which include all statements other than statements of historical fact. Forward-looking statements involve making certain assumptions based on the Company's experience and perception of historical trends, current conditions, expected future developments and other factors that are deemed appropriate under the circumstances. Although the expectations reflected in these forward-looking statements are believed to be reasonable, actual events or results may differ materially from those projected or implied in such forward-looking statements due to known or unknown risks, uncertainties and other factors. These risks and uncertainties include, among others, uncertainties in the exploration for and development and production of oil and gas, uncertainties inherent in estimating oil and gas reserves and projecting future rates of production, uncertainties as to the amount and timing of future capital expenditures, unpredictable changes in general economic conditions, volatility of oil and gas prices, competitive risks, regulatory changes and other risks and uncertainties discussed in the Company's periodic reports. Forward-looking statements are often identified by the words "believe", "budget", "potential", "expect", "anticipate", "intend", "plan" and other similar terms and phrases. Norse Energy cautions you not to place undue reliance on these forward-looking statements, which speak only as of the date of this report, and the Company undertakes no obligation to update or revise any of this information.

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# NOTES

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