# Northern Petroleum Plc

## General Meeting

December 2015

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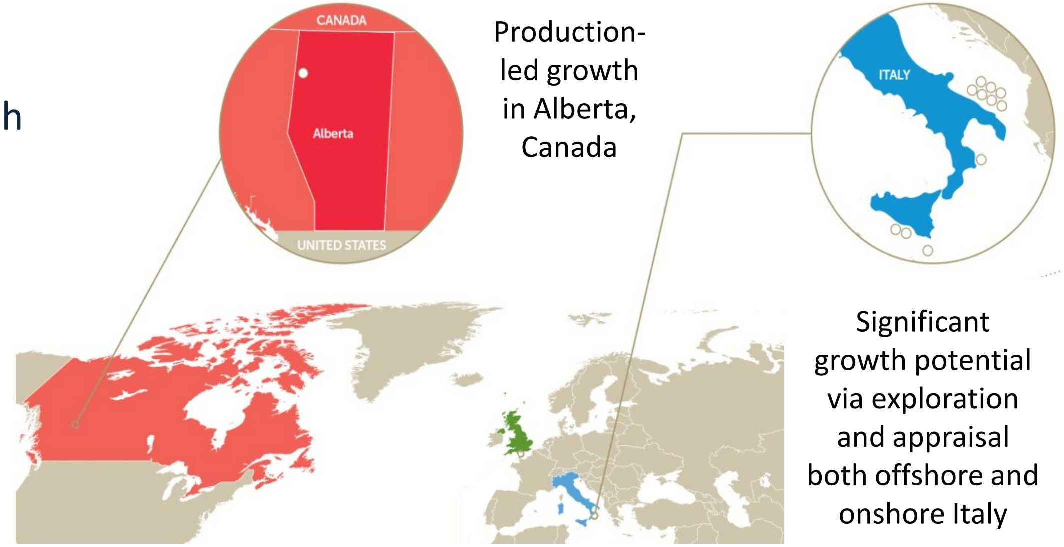
# Company overview

## Strategy and assets

- Northern Petroleum Plc is a production led oil and gas exploration and production company quoted on the AIM Market of the London Stock Exchange
- The Company's core assets are broadly grouped in two distinct areas:
  - production and development activities in Canada: operating cash flow and reserves
  - exploration and appraisal projects in Italy: provide the opportunity of significant returns

## Investment proposal

- The Directors believe production growth potential of 2,500 b/d in Canada
  - starting with proposed opportunistic acquisition
- Potentially five company changing exploration and appraisal wells in Italy over five years
- Management team incentivised to achieve these objectives



# Board and personnel

## Shareholder alignment

- Five-year incentive scheme recently implemented
  - share price performance as only measure
- Management taken further reductions in current salary
  - partially reimbursed in shares
- Management to participate in open offer

## Board

### Jon Murphy (Chairman)

- previously Venture Production COO
- over 30 years industry experience
- geologist by background

### Iain M. Lanaghan (Non-exec Director)

- previously FD of First Group and Faroe Petroleum
- significant equity and debt financing experience
- Chartered Accountant by profession

### Keith Bush (Chief Executive Officer)

- previously General Manager at E.ON E&P
- over 20 years' industry experience
- reservoir engineer by background

### Nick Morgan (Finance Director)

- over 13 years in investment banking
- significant M&A and ECM oil and gas advisory experience
- qualified as a Chartered Accountant

### Other key staff

- Paul Lafferty, COO
- Marty Scase, Canada Country Manager

# Italy – potential company changing events

## Industry activity and confidence increasing in Italy

## Five distinct opportunities:

| Opportunity | Resource | | Interest | Location |
|---|---|---|---|---|
| | Type | Volume (mmbbls) | % | |
| 1) **Giove oil discovery** | 2C | 26 | 100 | Southern Adriatic |
| 2) **Cascina Alberto permit** | prospective | under evaluation | 20 | onshore Northern Italy |
| 3) **Cygnus exploration prospect** | prospective | 446 | 100 | Southern Adriatic |
| 4) **Sicily Channel permits** | prospective | 325 | 100 | Sicily Channel |
| 5) **Application areas** | multiple leads | under evaluation | 100 | Southern Adriatic |

## Objective

- Drill five wells over five years, beginning 2017
- Each could significantly change the size and value of the Company
- Look for production opportunities

# Italy – work programme

## The Italian assets have the possibility of providing significant returns to shareholders in the medium to long term

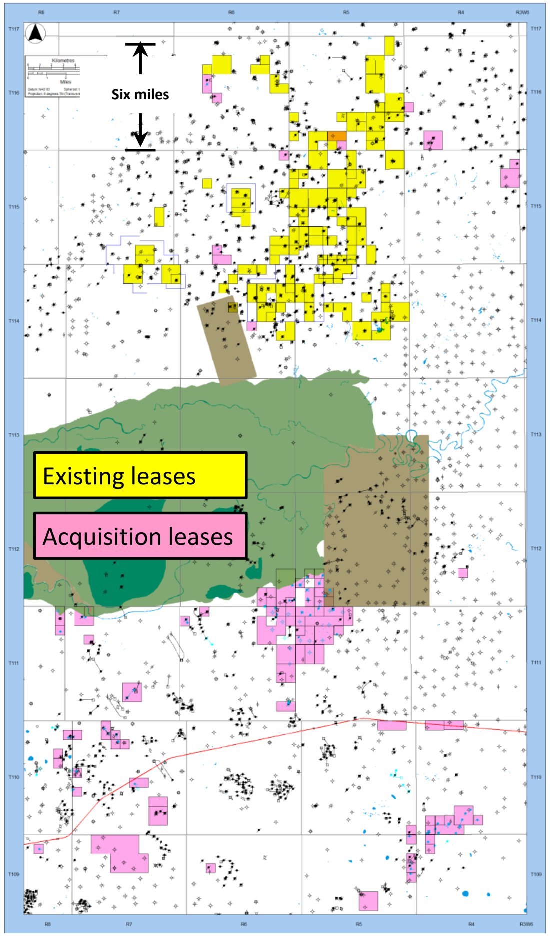
- The Company is currently in discussions with one party concerning a farm-out of the southern Adriatic acreage
- Alternatively, permits will be farmed out separately as the work programme dictates
- Value is expected to accrue upon the achievement of each milestone through the programme

## Work programme, subject to financing

| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|---|
| Giove | Well EIA | Seek to farm out | Appraisal well; Development plan | Development plan approval | Development drilling | Prod |
| Cascina Alberto | Reprocessing of existing | Seismic decision | Exploration well (1) | 2D seismic | Exploration well (2) | |
| Cygnus | Seek to farm out | 3D Seis.; Seismic processing | Well EIA; Farm out | Exploration well | | |
| Vesta | Seek to farm out | Complete well EIA | Exploration well | | | |
| Adriatic permits | Final award | Subsurface review; Farm out? | Seismic; Seismic processing | Well EIA; Farm out | Exploration well(s) | |

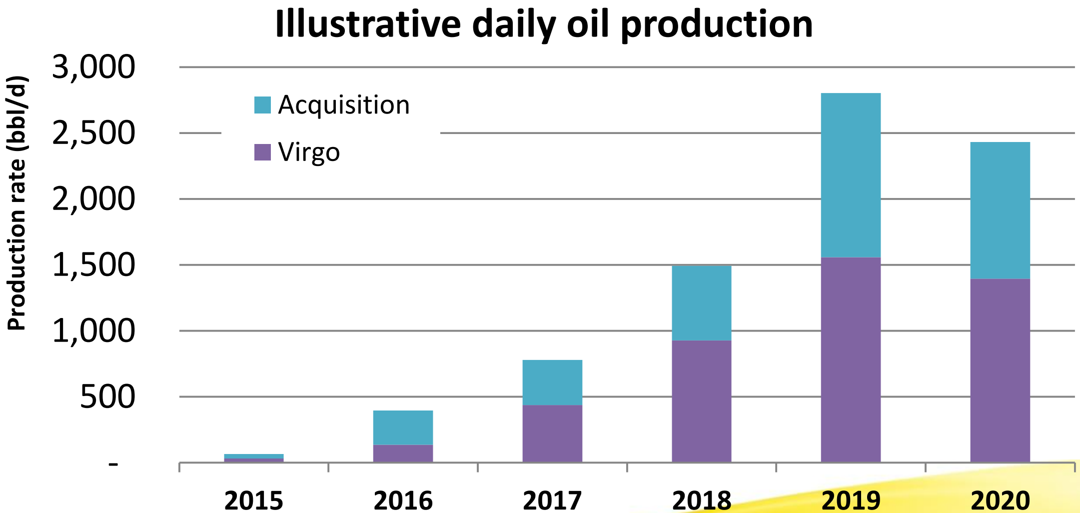
1) exploration well if no further seismic required
2) exploration well if further seismic required

# Canada – operating cashflow and reserves growth




## Acquisition and growth

- Production and reserves acquisition providing initial growth
  - brings operating synergies with existing assets
  - short term well reinstatement programme projected to double production (400 b/d)
  - potential to access senior debt for next stage of redevelopment
- Mid to long term: genuine value growth
  - grow production base to 2,500 b/d, increasing core value, over four years
  - contingent on access to the debt markets and / or further equity to drill new wells
  - expand Canadian production base or divest to fund development / production assets elsewhere



# Canada – potential consolidated work programme

## Q4 2015 / Q1 2016 (cost $1.8 million)

- Complete acquisition providing pro forma Group production of c. 230 b/d
- Undertake reinstatement programme on acquisition assets
  - well repairs
  - facility restart
- Pipeline repair on 102/15-23 (existing Virgo well)
- Average production forecast for 2016 of 400 b/d
- Operating cost synergies for production from existing Virgo wells

**$47 WTI forecast to broadly cover Canadian operating costs and Group G & A in 2016**

## Q4 2016 (cost $0.5 million)

- Water disposal and pipeline tie-in on acquisition assets adding a further 60 b/d

## 2017

- Use possible borrowing base to continue development (cost $3.5 million)
  - cashflow now in excess of group G&A
- Upon success, broaden development
  - combination of further debt / equity will determine rate of growth

# Subscription, Open Offer and Capital Reorganisation

## Subscription - $1.8 m

- £1.2 million at a price of 3 pence per Subscription Share
- Proposed additional 40 million shares in issue
- Capital required for Canadian acquisition and remedial work programme:
  - $0.2 million cash consideration to acquire assets
  - $1.6 million for production reinstatement work programme

## Open Offer

- Open Offer made to existing shareholders based on same terms
- 40 million Open Offer Shares at 3 pence per share to raise up to £1.2 million
- 2 Open Offer Shares for every 5 Existing Ordinary Shares
- Further equity capital will increase working capital headroom while production increases to cover G&A
  - short term support depending on oil price volatility

## Capital Reorganisation

- 95,365,660 ordinary shares currently in issue
- Each Existing Ordinary Share with a nominal value of 5 pence to be sub-divided and re-designated into one New Ordinary Share of 1 penny and one Deferred Share of 4 pence
  - not possible to allot shares at a price which is less than the nominal value

# Investment opportunity

**Italian exploration & appraisal value**

- Targeting five high impact wells in five years
- 26 mmbbls of 2C resource in Giove – successful appraisal will re-categorise to 2P reserves
- Valuable programme carry by Shell on Cascina Alberto – large prospect ultimate goal
- Acquisition of 3D seismic in Adriatic will de-risk Cygnus prospect
- Approval of permit applications would create largest exploration acreage in Adriatic
- In discussions with third party to farm-out southern Adriatic acreage
- Recent positive changes in the Italian business environment

**Canadian production growth**

- Over 100 mmbbls of oil in place on existing lands – low primary recovery factor to date
- Proposed acquisition brings important critical mass for cashflow and operating synergies
- Following initial reinstatement programme:
  - G&A broadly covered
  - likely access to debt for further development
- Post acquisition position could potentially support a development in excess of 2,500 b/d
- Combined asset base brings operational capability to expand Canadian production base

- Committed management team incentivised to see the work programme succeed