

CORPORATE GOVERNANCE

1. INTRODUCTION TO THE CORPORATE GOVERNANCE POLICY

The Board of Directors of Spring Energy AS (the "Company") has prepared this corporate governance policy document (the "Policy")

As the Company is currently a private limited liability company not listed on any stock exchange or regulated market place, the Norwegian Recommendation for Corporate Governance (the "Recommendation") does not apply directly to the Company.

However, the Company wishes to place emphasis on sound corporate governance and be prepared for a potential future listing of the Company's shares. The Company has therefore prepared this policy document on the basis of the Recommendation, but made the necessary adjustments given the Company's current status as an unlisted company. All of the Company's shareholders are also parties to a shareholders agreement (the "Shareholders Agreement") affecting some of the items set out in this Policy.

This Policy addresses the framework of guidelines and principles regulating the interaction between the Company's shareholders, the Board of Directors (the "Board"), the Chief Executive Officer (the "CEO") and the Company's executive management team (the "Executive Management Team").

2. BUSINESS ACTIVITY

The Company's business as set out in the Articles of Association consists of exploration for, development of and production of oil and gas, including acquisition and sale of gas properties and investments in E&P companies.

3. VALUES AND OBJECTIVES

Engaging in the activities described in Section 2 above, the Company's objective is create and realise values for its shareholders.

The Company will pursue the following main strategies to deliver sustainable profitable growth and reach its overall objective:

- Develop and maintain a balanced portfolio of quality assets on the Norwegian Continental Shelf,
- Apply for attractive acreage in concession rounds as well as proactive and selective participation in the transaction market,
- Execute a commercially driven exploration strategy ensuring that capital and resources are allocated to the opportunities of highest potential and value,
- Actively manage a portfolio of assets, divesting non-core assets to provide capital for funding of exploration and development opportunities, and
- Invest continuously in people, structure and systems to ensure safe operations and minimize impacts on the environment.

The Company's license to operate is ultimately derived from the acceptance and goodwill of the Company's stakeholders, including the authorities, partners and employees. All operations that the Company is involved in must be lawful and safe, but also conducted in an ethical, honest and fair manner. The Company has formulated the following main values to form a guideline for the Company's business operations:

- Awareness and compliance with all applicable laws, rules and regulations,
- Compliance with accounting regulations, policies, procedures and related controls, and
- Ensure full, fair, accurate, timely and understandable public disclosure in reports and documents that are filed with or submitted to all regulatory bodies and in all other public communications.

4. ETHICAL GUIDELINES

The Company will maintain a high ethical standard in its business concept and relations with customers, suppliers and

employees. The following ethical guidelines shall be practiced in the Company, and shall apply to all employees of the Company:

1. Personal conduct: All employees and representatives of the Company shall behave with respect and integrity towards business relations and partners, customers and colleagues. The Executive Management Team has a particular responsibility to promote openness, loyalty and respect.
2. Conflict of Interests: The Company's employees or representatives shall avoid situations wherein a conflict between their own personal and/or financial interests and the Company's interests may occur.
3. Confidential Information: Employees or representatives of the Company possessing confidential information related to the Company, shall conduct themselves and safeguard such information with great care and loyalty, and comply with any and all signed confidentiality statements.
4. Influence: The Company's employees or representatives shall neither directly nor indirectly offer, promise, request, demand or accept illegal or unjust gifts of money or any other remuneration in order to achieve a commercial benefit.
5. Competition: The Company supports fair and open competition. The Company's employees or representatives shall never take part in any activities that may constitute a breach of competition legislation.
6. Breach of Ethical Guidelines: Any breach of these ethical guidelines may inflict severe consequences for the Company, and any breach may imply consequences for the person in question.

5. COMPANY CAPITAL AND DIVIDEND

The Board aims to maintain a satisfactory equity ratio in the Company in light of the Company's objectives, strategies and risk profile, thereby ensuring that there is an appropriate balance between equity and other sources of financing. The Board shall continuously assess the Company's capital requirements in light of the Company's strategy and risk profile.

The Board's authorities to increase the share capital and to buy own shares shall be granted for periods no longer than until the next Annual General Meeting of the Company. All share issues by the Company are subject to approval procedures set out in the Shareholders Agreement.

It is an objective for the Company to generate return to the shareholders in the form of dividends and capital appreciation, at a level which is at least equal to other investment possibilities with comparable risk.

6. SHARE CLASSES

The Company's share capital is divided into common shares and two classes of preferences shares. The three share classes are subject to various differences with regard to distribution rights and voting rights pursuant to the provisions set out in the Shareholders Agreement.

7. TRANSACTIONS WITH RELATED PARTIES

Any transactions, agreements or arrangements between the Company and its shareholders, members of the Board, members of the Executive Management Team or close associates of any such parties shall only be entered into as part of the ordinary course of business and on arms length market terms. All such transactions shall comply with the procedures set out in the Norwegian Private Limited Liability Companies Act.

The Board shall arrange for a valuation to be obtained from an independent third party to determine arms length market terms, unless the transaction, agreement or arrangement in question is considered to be immaterial by the Board.

The Company's financial statements shall provide further information about transactions with related parties.

No person or company mentioned in the above paragraph shall vote or otherwise participate in any decision by the Company regarding a transaction, agreement or arrangement with such person or company as a counter party.

Board Members and members of the Executive Management Team shall immediately notify the Board if they have any material direct or indirect interest in any transaction entered into by the Company.

8. TRANSFER OF SHARES

The shares in the Company are subject to transfer restrictions, rights of first refusal, and drag along- and tag along rights set out in the Shareholders Agreement.

A condition for any transfer of shares in the Company is that the new owner adheres to the Shareholders Agreement.

9. THE GENERAL MEETING

All shareholders have the right to participate in the General Meetings of the Company, which exercise the highest authority of the Company. The Company shall summon the shareholders to any General Meeting as soon as possible. The Annual General Meeting shall be held before 30 June every year. The person chairing a General Meeting should normally be independent of the Company and the Board.

The full notice for General Meetings shall be sent to the shareholders no later than 7 days

prior to the meeting. The notices for such meetings shall include documents providing the shareholders with sufficient detail in order for the shareholders to make an assessment of all the cases to be considered as well as all relevant information regarding procedures of attendance and voting. The Board and the Company's auditor shall normally be present at General Meetings.

Notices for General Meetings shall provide information on the procedures shareholders must observe in order to participate in and vote at the General Meetings. The notice should also set out: (i) the procedure for representation at the meeting through a proxy, including a form to appoint a proxy, and (ii) the right for shareholders to propose resolutions in respect of matters to be dealt with by the General Meeting.

The cut-off for confirmation of attendance shall be set as short as practically possible and the Board will arrange matters so that the shareholders, who are unable to attend in person, will be able to vote by proxy. The form of proxy will be distributed with the notice.

10. THE BOARD - COMPOSITION

In appointing members to the Board, it is emphasised that the Board shall have the requisite competency to independently evaluate the cases presented by the Executive Management Team as well as the Company's operation. It is also considered important that the Board can function well as a body of colleagues. Board Members shall be elected for periods not exceeding two years at a time, with the possibility of re-election. Board Members shall be encouraged to own shares in the Company.

The composition of the Board shall comply with the guidelines set out in the Shareholders Agreement, which secures representation of the Company's major shareholders in the Board.

11. COMMITTEES OF THE BOARD

The Board has established a remuneration committee, consisting of three members; the Chairman of the Board, one additional board member and the Company's Chief Financial Officer (the "CFO"). The remuneration committee shall administer the Company's bonus incentive program and provide general compensation related advice to the Board.

The Company does not currently have an audit committee, but shall continuously evaluate the need for establishing such an audit committee.

12. RESPONSIBILITY OF THE BOARD OF DIRECTORS

The Board shall prepare an annual plan for its work with special emphasis on goals, strategy and implementation. The Board's primary responsibility shall be (i) participating in the development and approval of the Company's strategy, (ii) performing necessary monitoring functions and (iii) acting as an advisory body for the Executive Management Team. Its duties are not static, and the focus will depend on the Company's ongoing needs.

The Board is also responsible for ensuring that the operation of the Company is in compliance with the Company's values and ethical guidelines. The Chairman of the Board shall be responsible for ensuring that the Board's work is performed in an effective and correct manner.

The Board shall ensure that the Company has a good management with clear internal distribution of responsibilities and duties. A clear division of work has been established between the Board and the Executive Management Team. The CEO is responsible for the executive management of the Company.

All members of the Board shall regularly receive information about the Company's operational and financial development.

The Company's strategies shall regularly be subject to review and evaluation by the Board.

The Board shall prepare an annual evaluation of its work.

13. RISK MANAGEMENT AND INTERNAL CONTROL

The Board shall ensure that the Company has sound internal controls and systems for risk management that are appropriate in relation to the extent and nature of the Company's activities. The internal controls and the risk management systems shall also encompass the Company's corporate values and ethical guidelines.

The objective of the risk management systems and internal controls shall be to manage exposure to risks in order to ensure successful conduct of the Company's business and to support the quality of its financial reporting.

The Board shall carry out an annual review of the Company's most important areas of exposure to risk and its internal control arrangements.

14. BOARD COMPENSATION

The General Meeting shall annually determine the Board's remuneration. Remuneration of Board Members shall be reasonable and based on the Board's responsibilities, work, time invested and the complexity of the enterprise. The compensation shall be a fixed annual amount. The Chairman of the Board may receive a higher compensation than the other Board Members.

The Board shall be informed if individual Board Members perform other tasks for the Company than exercising their role as Board Members. Work in committees may be compensated in addition to the remuneration received for Board membership.

The Company's financial statements shall provide further information about the Board's compensation.

15. COMPENSATION TO EMPLOYED MANAGEMENT

The Board decides the salary and other compensation to the CEO. The CEO's salary and bonus shall be determined on the basis of an evaluation with emphasis on value creation and achievement of strategic and operational objectives.

Any fringe benefits shall be in line with market practice, and should not be substantial in relation to the CEO's basic salary. The Board shall annually carry out an assessment of the salary and other remuneration to the CEO.

The Company's financial statements shall provide further information about salary and other compensation to the CEO and the Executive Management Team.

The CEO determines the remuneration of executive employees. The Board shall (through the Remuneration Committee) issue guidelines for the remuneration of the Executive Management Team. The guidelines shall lay down the main principles for the Company's management remuneration policy.

The salary level should not be of a size that could harm the Company's reputation, or above the norm in comparable companies. The salary level should, however, ensure that the Company can attract and retain executive employees with the desired expertise and experience.

16. INFORMATION AND COMMUNICATION

The Board and the Executive Management Team assign considerable importance to giving the shareholders quick, relevant and current information about the Company

and its activity areas. Emphasis is placed on ensuring that the shareholders receive identical and simultaneous information.

Sensitive information will be handled internally in a manner that minimises the risk of leaks. All contracts to which the Company becomes a party, shall contain confidentiality clauses.

The Company shall have clear routines for who is allowed to speak on behalf of the Company on different subjects, and who shall be responsible for submitting information to the market and investor community. The Chairman, the CEO and the CFO shall be the main contact persons of the Company in such respects.

The Board must be aware of matters of special importance to the shareholders. The Board must therefore ensure that the shareholders are given the opportunity to make known their points of view at and outside the General Meeting.

17. AUDITOR

Each year the auditor shall present to the Board a plan for the implementation of the audit work and a written confirmation that the auditor satisfies established requirements as to independence and objectivity.

The auditor shall be present at Board meetings where the annual accounts are on the agenda. Whenever necessary, the Board shall meet with the auditor to review the auditor's view on the Company's accounting principles, risk areas, internal controls and risk management systems.

The auditor may only be used as a financial advisor to the Company provided that such use of the auditor does not have the ability to affect or question the auditors' independence and objectiveness as auditor for the Company. Only the Company's CEO and/or CFO shall have the authority to

enter into agreements in respect of such counselling assignments.

At the Annual General Meeting the Board shall present a review of the auditor's compensation as paid for auditory work required by law and remuneration associated with other assignments.

In connection with the auditor's presentation to the Board of the annual work plan, the Board should specifically consider if the auditor to a satisfactory degree also carries out a control function.

The Board shall normally arrange for the auditor to attend all General Meetings.

18. FINANCIAL POLICY

The Company shall prepare a statement of its financial strategy and policy, providing details of the Company's handling of financial risks, hedging, funding policies etc.