

# Registration Document

DNO ASA



Date: 27<sup>th</sup> February 2020

## IMPORTANT INFORMATION

This registration document (the "Registration Document") has been prepared by DNO ASA (the "Company", together with its subsidiaries, the "Group") solely in connection with listing of bond issues (the "Bonds") on the Oslo Stock Exchange, a stock exchange operated by Oslo Børs ASA (the "Oslo Stock Exchange").

This Registration Document has been approved by the Financial Supervisory Authority of Norway (Finanstilsynet) (the "Norwegian FSA"), as the competent authority under Regulation (EU) 2017/1129. The Norwegian FSA only approves this Registration Document as meeting the standards of completeness, comprehensibility and consistency imposed by Regulation (EU) 2017/1129. Such approval should not be considered as an endorsement of the Company that is the subject of this Registration Document.

This Registration Document prepared according to Regulation (EU) 2017/1129, is valid for a period of up to 12 months following its approval by the Norwegian FSA. This Registration Document was approved by the Norwegian FSA on 27<sup>th</sup> February 2020. The prospectus for issuance of new bonds or other securities (the "Prospectus") may, for a period of up to 12 months from the date of the approval, consist of this Registration Document, and a securities note (the "Securities Note") for each bond issue and, if applicable, a summary subject to a separate approval.

For definitions of certain other terms used throughout this Registration Document, see Section 9 "Definitions and glossary".

The information contained herein is current as of the date hereof and subject to change, completion and amendment without notice. Neither the publication nor distribution of this Registration Document shall under any circumstances imply that there has been no change in the Group's affairs or that the information herein is correct at any date subsequent to the date of this Registration Document.

No person is or has been authorized by the Company to give any information or to make any representation not contained in or not consistent with this Registration Document or any other information supplied in connection with the Bonds and, if given or made, such information or representation must not be relied upon as having been authorized by the Company.

The distribution of this Registration Document in certain jurisdictions may be restricted by law. This Registration Document does not constitute an offer of, or an invitation to purchase, any of the Bonds in any jurisdiction. This Registration Document may not be distributed or published in any jurisdiction except under circumstances that will result in compliance with applicable laws and regulations. Persons in possession of this Registration Document are required to inform themselves of and observe any such restrictions. In addition, the Bonds are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under applicable securities laws and regulations. Any failure to comply with these restrictions may constitute a violation of applicable securities laws.

The content of this Registration Document is not to be construed as legal, credit, business or tax advice. Each investor should consult its own legal, credit, business or tax adviser for such issues. In making an investment decision, investors must rely on their own examination of the Group and the Bonds, including the merits and risks involved.

The Bonds may not be a suitable investment for all investors. Each potential investor in the Bonds must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor may wish to consider, either on its own or with the help of its financial and other professional advisers, whether it:

- (i) has sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds and the information contained or incorporated by reference in this Registration Document or any applicable supplement;
- (ii) has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Bonds and the impact the Bonds will have on its overall investment portfolio;
- (iii) has sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds, including where the currency for principal or interest payments is different from the potential investor's currency;
- (iv) understands thoroughly the terms of the Bonds and is familiar with the behavior of financial markets; and
- (v) is able to evaluate possible scenarios for economic and other factors that may affect its investment and its ability to bear the applicable risks.

Legal investment considerations may restrict certain investments. The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent: (i) the Bonds are legal investments for it, (ii) the Bonds can be used as collateral for various types of borrowing; and (iii) other restrictions apply to its purchase or pledge of any Bonds. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Bonds under any applicable risk-based capital or similar rules.

The Bonds have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the "U.S. Securities Act"), and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. Persons (as defined in Regulation S under the U.S. Securities Act) except in accordance with Regulation S under the U.S. Securities Act or pursuant to an exemption from the registration requirements of the U.S. Securities Act.

This Registration Document shall be governed by and construed in accordance with Norwegian law. The courts of Norway, with Oslo District Court as legal venue, shall have exclusive jurisdiction to settle any dispute which may arise out of or in connection with this Registration Document.

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## 1 RISK FACTORS

Investing in bonds involves inherent risks. Prospective investors should carefully consider, among other things, the risk factors set out in the Registration Document before making an investment decision.

A prospective investor should carefully consider all the risks related to the Company and the Group and should consult his or her own expert advisors as to the suitability of an investment in the Bonds. An investment in the Bonds entails significant risks and is suitable only for investors who understand the risk factors associated with this type of investment and who can afford a loss of all or part of the investment. Against this background, an investor should thus make a careful assessment of the Company, its creditworthiness and its prospects before deciding to invest, including its current and future tax position. The risk factors for the Company and the Group are deemed to be equivalent for the purpose of this Registration Document unless otherwise stated.

The Company believes that the factors described below represent the principal risks inherent in investing in the Bonds, but the Company may be unable to pay interest, principal or other amounts on or in connecting with the Bonds for other reasons which may not be considered significant risks by the Company based on information currently available to it or which it may not currently be able to anticipate. The risks within each category are listed, in the view of the Company, according to the possible negative impact they may have and the probability of their occurrence. The greatest risk within each category is generally mentioned first. It applies for all risk factors that, if materialized, and depending on the circumstances, may have an adverse effect on the Company and/or the Group and which may reduce anticipated revenue and profitability, ultimately resulting in a potential insolvency situation.

### 1.1 OPERATIONAL RISK

#### **Difficulties in the marketing or exporting of the Group's oil and gas could adversely affect the Group's revenues**

The Group's ability to sell the oil and gas it produces will be affected by numerous factors beyond its control. There is a risk that the Group does not get paid or paid on time for its deliveries. In addition, disruptions to transportation services or restrictions on access to key transportation channels, as well as disruptions in the supply of essential utility services and access to processing facilities, may have a material adverse effect on the Group's business, results of operations, financial condition or prospects. For more information, see "Political Risk" below.

Historically, as a result of tensions between the Federal Government of Iraq ("FGI") and the Kurdistan Regional Government ("KRG"), economic conditions in the Kurdistan region of Iraq ("KRI") and limited available export channels, the Group has faced constraints in fully monetizing the oil it produces in the KRI. There is no guarantee that oil and gas can be exported in sufficient quantities or at prices required to sustain the Group's operations (at profitable levels or at all) or that the Group will promptly receive its full entitlement payments for the oil and gas it delivers for export.

The ability to export oil and gas may depend on obtaining licenses, the granting of which is at the discretion of the relevant regulatory authorities, and export volumes. Furthermore, there can be no assurance that the Group will be paid its full entitlement for export sales.

The actualization of any of the above risks may have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

#### **The Group may be unable to obtain, retain or renew required licenses, concessions, permits and other authorizations necessary for its operations**

The Group conducts its exploration, development and production operations pursuant to rights granted under Production Sharing Contracts ("PSCs"), Production Sharing Agreements ("PSAs") and exploration and production ("E&P") licenses (together with PSCs/PSAs, "licenses") by relevant host country authorities. The ability of the Group to operate its business depends on the granting and continued validity of such licenses, which may be subject to the discretion of the relevant host country authorities and therefore cannot be assured.

Although the Directors believe that all of the Group's licenses are currently valid and that the consents necessary for its operations have been obtained, the Group also operates in jurisdictions with unpredictable legislative,

regulatory and judicial environments and the Group may have difficulty enforcing rights under its licenses or defending claims of invalidity or obtain permission to conduct certain operations.

Any inability of the Group to comply with the terms of its licenses, successfully defend claims against it, obtain, retain, extend or renew its licenses on terms satisfactory to it or enforce its rights or defend claims in relation to its contracts and government consents may have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

### **HSSE laws and regulations may expose the Group to significant liabilities**

The Group's operations are subject to health, safety, security and environment ("HSSE") rules established internationally, regionally and nationally. HSSE laws and regulations typically govern, among other things, the discharge of hazardous substances into the environment, the handling and disposal of waste, and the health and safety of the Group's employees and local communities in the vicinity of its operations.

Certain HSSE laws and regulations provide for strict joint and several liabilities without regard to negligence or fault for damage caused to persons, property and the environment by E&P activities. Such laws and regulations may expose the Group to liabilities incurred either due to its own conduct or the conduct of others. Compliance with HSSE laws and regulations may lead to the Group incurring substantial future expenditures, for instance due to requirements to modify operations, upgrade employee and contractor accommodation or other infrastructure, install pollution control equipment, perform clean-up operations, or to curtail or cease certain operations.

In addition, some of the jurisdictions in which the Group is currently operating, or has recently conducted operations, do not have a developed infrastructure for waste management, which may lead to increased risk of pollution to the surrounding environment and, therefore, an increased risk of non-compliance with HSSE laws and regulations.

For additional HSSE risks, see the risk factors immediately below; "The Group's operations could be compromised by criminal or terrorist action" and "The Group is subject to risks associated with failures in technology systems and cybersecurity". Additional HSSE risks are also e.g. presented in "E&P activities are inherently risky and hazardous, and incidents may adversely affect the Group" and "Parts of the Middle East are currently prone to political, social and economic instability".

Any failure by the Group to comply with HSSE laws and regulations may result in regulatory actions and liabilities, including withdrawal of licenses or permits, temporary or permanent closure of the Group's facilities, imposition of fines or penalties, obligations to compensate for environmental damage and to restore environmental conditions or other obligations or payment of compensation to third parties and employees, each of which could lead to a decrease in revenues or an increase in costs. The Group may also become involved in claims, lawsuits and administrative proceedings relating to HSSE compliance or claims that could result in reputational damage, industrial action or difficulty in recruiting and retaining skilled employees. This, along with any of the above risks may have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

### **The Group's operations could be compromised by criminal or terrorist action**

Some of the Group's current and recent operations are taking place or have been taking place in jurisdictions with a high degree of political, social and economic instability, and may hence be a target for criminal or terrorist actions, or threats of actions, in particular against its employees, properties, facilities or workplaces or third party infrastructure.

Criminal or terrorist action, or threats of action could disrupt the Group's operations or increase operating costs associated with security, insurance and other protections against criminal and terrorist action, which may have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

### **The Group is subject to risks associated with failures in technology systems and cybersecurity**

Digitalization of work processes within the Group's operations increases the digital surface that can be misused to perform a cyber-attack against the Group, such as online banking fraud attempts. Worldwide, the sophistication of such attacks is increasing. Malware and ransomware attacks may halt production and expose the Group to extortion attempts. The impact of a cyber-attack may increase with the level of digitalization. Especially in the North Sea, digitalization has progressed to such a degree that it could be difficult to revert to less automated production processes in case of a severe attack.

The actualization of any of the above risks may have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

**The Group may become liable for failure to comply with various laws and regulations regarding anti-corruption, international sanctions and market abuse regimes**

The Group is subject to various laws and regulations relating to anti-bribery and corruption in each of the jurisdictions it does business, including but not limited to provisions of the Norwegian Criminal Act of 20 May 2005, the UK Bribery Act of 2010 and similar legislation in jurisdictions where the Group operates. Such laws and regulations generally prohibit companies and their intermediaries from making improper payments to government officials or private parties, or otherwise improperly influencing such persons, for the purpose of obtaining or keeping business or other benefits. These laws and regulations on anti-bribery and corruption may apply to actions taken on behalf of the Group or by individual subsidiaries regardless of the jurisdiction in which such actions are carried out, and the Group may thus become liable for a breach of such anti-bribery and corruption provisions even if such breach occurred in other jurisdictions. The Group must also comply with sanctions and market abuse regimes established or adopted by Norway and the United Kingdom ("UK"), including regimes established by the United Nations Security Council and the European Union (the "EU"). In addition, certain U.S. cross border legislation may affect the Group.

Any remediation measures taken in response to potential or alleged violations of these laws, regulations and sanctions regimes, including any necessary changes or enhancements to the Group's procedures, policies and controls and potential personnel changes and/or disciplinary actions, may have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

**The Group may face risks and challenges from future acquisitions**

The Group is continuously considering expansion of its operations through organic growth and acquisitions. Where the Group acquires another company or its assets, integrating and managing the operations of the acquired assets may be challenging and may render the value of any company or assets acquired less than the amount paid.

There can be no assurance that the Group's past and future acquisitions will be successful, that the Group will be able to identify and finance attractive future acquisition targets, that acquired businesses will be successfully integrated into the Group or that expected synergies, cost savings and revenue-generation opportunities will be realized. Moreover, integrating and consolidating acquired operations, personnel and information systems requires the dedication of management resources that may divert attention from the Group's day-to-day business and disrupt key operating activities. In addition, there can be no assurance that the Group will be able to dispose of its interests in acquired companies or investments without incurring significant losses, if at all.

If the Group is not successful in integrating acquisitions or some or all of its existing or future acquisitions or investments prove ultimately to be unsuccessful, these risks may have a material adverse effect on the Group's business, results of operations financial condition or prospects.

**The Group's current Norwegian Continental Shelf ("NCS") production is dependent on operating host facilities of other companies**

The Group's production of oil and gas on the NCS is concentrated in a limited number of offshore fields mostly connected to host facilities operated by other oil companies. The Group is particularly dependent on the Norne and Ula host facilities and technical issues or additional downtime on these facilities may have an impact on the Group's production. If technical problems or other events affect production on one of these key offshore fields, or affect other related facilities or the downstream infrastructure, it may have direct and significant impact on a substantial portion of the Group's production. The actualization of any of the above risks may have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

**Estimates of the Group's oil and gas reserves, recovery and resources are uncertain and subject to conditions which are outside of the Group's control.**

All estimates of oil and gas reserves and resources, and the future net cash flows expected, are inherently uncertain. Important factors that could cause actual results to differ from estimates include, but are not limited to, technical, geological and geotechnical conditions, economic and market conditions, operating costs, oil and gas prices, changes in legislation and governmental regulations and interest rates and currency exchange rates. Specific parameters of uncertainty related to fields and reservoirs include but are not limited to: reservoir pressure and porosity, recovery factors, water cut development, production decline rates, gas/oil ratios and oil properties.

Estimates of the economically recoverable reserves attributable to any particular group of properties, classification of such reserves based on risk of recovery and estimates of future net revenues expected therefrom prepared by

different engineers, or by the same engineers at different times, may vary. The Group's actual production revenues and development and operating expenditures with respect to its reserves are likely to vary from estimates and such variations could be material.

If the actual reserves or resources of the Group are less than the current estimates or of lower quality than expected, the Group may be unable to recover and produce the estimated levels or quality of oil or gas and, as a result, the Group may not recover its initial outlay of capital expenditures and operating costs of any such operation and may have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

#### **The Group may not be able to commercially develop its contingent and prospective resources**

Oil and gas E&P activities are inherently uncertain in their outcome and the ability of the Group to initiate production following a discovery may depend on its ability to bring its assets from an exploration phase to a development and production phase and to complete commitments within certain specified timeframes.

It may or may not meet the Group's internal technical requirements and financial risk/return criteria. As such, the Group may not have, or may not choose, to allocate capital to all of these projects at current ownership levels. In such circumstances, the Group may choose to withdraw from part – or all – of such projects and, as a consequence, not meet its production growth aspirations.

If the Group is unable to commercially develop its contingent and prospective resources, this may have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

#### **The Group cannot accurately predict its future decommissioning liabilities**

Pursuant to its licenses, the Group has assumed certain obligations and liabilities with respect to decommissioning of facilities and infrastructure (including plugging and abandonment of wells) and it is expected to assume additional decommissioning liabilities in respect of future operations. These liabilities are derived from legislative and regulatory requirements in certain jurisdictions and require the Group to make provisions for and/or underwrite the liabilities relating to such decommissioning. The Group's current portfolio on the NCS and the UK Continental Shelf ("UKCS") includes assets with declining production. Currently, the Group is operating the decommissioning of the Schooner and Ketch fields on the UKCS.

Although the Group's accounts make provisions for such decommissioning costs where mandated, there can be no assurance that the costs of decommissioning will not exceed the value of the long-term provisions set aside to cover such decommissioning costs. It is difficult to accurately forecast the costs that the Group will incur in satisfying its decommissioning obligations and the Group may have to draw on funds from other sources to bear such costs. Decommissioning requirements may also increase over time.

When its decommissioning liabilities crystallize, the Group may be jointly and severally liable for them with former or current partners in the field. In the event that the Group's partners default on their obligations, the Group will remain liable and its decommissioning liabilities could significantly increase through such default. For more information on decommissioning requirements and compliance costs, see "*HSSE laws and regulations may expose the Group to significant liabilities*" above.

Any increase in the actual or estimated decommissioning costs of the Group may have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

#### **The Group relies on the services of independent third party contractors**

The Group relies on external independent contractors to carry out various operational tasks in its E&P operations, including carrying out drilling activities, delivering hydrocarbons to counterparties and maintaining the Group's assets and infrastructure. Some of the services required for the Group's operations and developments are currently only available from a limited number of key providers on commercially reasonable terms, such as within drilling, downhole services and seabed mapping offshore. Historically, spot market prices of such services have tended to rise significantly in oil market upturns when demand has often outpaced supply. As opposed to major E&P operators, the Group does not have a continuous activity level, for example within drilling. Therefore, the Group has fewer long term contracts with suppliers, a factor which makes the Group more exposed to prevailing spot market conditions.

#### **The Group's success is dependent upon its ability to attract and retain key personnel**

The Group's success depends, to a large extent, on certain of its key personnel having expertise in the areas of

E&P, operations, engineering, business development, oil and gas marketing, finance and accounting, such as the heads of the business units and/or technical functions. The loss of the services of any key personnel could have a material adverse effect on the Group.

In addition, the competition for qualified personnel in the energy sector is intense. As a result, the Group may face significant costs to attract and retain all personnel necessary for the development and operation of its business and there can be no assurance that it will be able to do so in each case. Any failure to attract or replace key personnel may have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

## **1.2 FINANCIAL RISK**

### **1.2.1 Risks related to the Group's financial position**

#### **The Group is dependent on securing future financing**

The Group's E&P activities require significant capital expenditures. The Group's ability to arrange future financing, as well as the cost and terms of such financing, if any, depend on many factors, including the general conditions of the capital markets, investor confidence in the oil and gas industry and in the Group, the business performance of the Group, regulatory developments, credit available from banks and other lenders, and provisions of tax and securities laws that are conducive to raising capital. Additionally, the terms and conditions on which future funding or financing may be made available may not be acceptable, or funding or financing may not be available at all. If additional funds are raised in the longer term, the Group may become more leveraged and subject to additional or more restrictive covenants which may have a material adverse effect on its business, results of operations, financial condition or prospects.

#### **The Group may be adversely affected if financial covenants are breached**

The Group is subject to a number of covenants under its bond facilities. The financial covenants of the bonds issued by the Group require a minimum of USD 40 million of liquidity, and that the Group maintains either an equity ratio of 30 percent or a total equity of a minimum of USD 600 million. In addition, covenants in general also require the Company to operate according to applicable laws and sanction regimes. Although, as of the date of this Registration Document, the Group is in compliance with all covenants and has not triggered any of the other event of default provisions contained in its financing arrangements, if such covenant or any future covenant of any financing arrangement is breached and the Group is unable to cure the breach or obtain a waiver from the relevant lenders, or any of the other events of default are triggered, the Group could be in default under the terms of such arrangement. Moreover, a default under any single financing arrangement could result in a default under other financing arrangements and could cause the Group's lenders to accelerate all amounts due under such financing arrangements. In addition, in an event of default scenario, the lenders under the Group's credit lines could terminate their commitments to extend credit, cease making loans, or institute foreclosure proceedings, forcing the Group into bankruptcy or liquidation.

#### **Climate risk may reduce investor confidence in the industry and increase the Group's cost of capital**

The Group's exploration, development and production operations require significant capital expenditures. The Group's ability to arrange future financing, and the cost of such financing, depends on many factors, including economic and capital market conditions generally, investor confidence in the oil and gas industry and in the Group, the business performance of the Group, regulatory developments, credit available from banks and other lenders, and provisions of tax and securities laws that are conducive to raising capital.

Increasing concerns about climate risk may affect investor appetite for oil and gas investments, which could inhibit the Group's ability to obtain funding. The concept of climate risk refers to the idea that future regulation and consumer demand changes may make several oil and gas resources unprofitable to develop.

#### **Ability to utilize existing debt facilities is subject to certain conditions**

On 15 November 2019, the Group established a reserve-based lending ("RBL") facility of USD 350 million plus an additional tranche of USD 350 million available on an uncommitted accordion basis. The RBL facility, which matures in November 2026, covers the Group's Norwegian and UK assets and is available for both debt financing and issuance of letters of credit. On the same date, the Group also established a new exploration financing facility ("EFF") with an aggregate commitment limit of Norwegian Kroner ("NOK") 1,000 million with an additional tranche of NOK 500 million available on an uncommitted accordion basis. The EFF matures by yearend 2023.

The ability to utilize and/or draw down further on these facilities is subject to customary conditions, such as

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financial and operational ratios and representations. In particular, the amount able to be drawn down from the RBL is calculated by reference to the net present value of the approved borrowing base assets, i.e., oil and gas reserves. In the event that the level of the Group's approved borrowing base materially decreases, the Group would be unable to withdraw further funds from the RBL and/or may be required to repay all or a proportion of the amount withdrawn under the facility.

The inability to utilize the RBL and EFF facilities may have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

### **1.2.2 Risks related to taxation**

The Group is involved in business activities in various jurisdictions and is subject to taxation in the countries in which it operates and/or in which its subsidiaries are incorporated. Consequently, the Group is faced with a number of different tax regimes and complex tax laws. When computing its tax obligations in these jurisdictions, the Group is required to take various tax and accounting positions for which the Group may not have received rulings from the relevant tax authorities.

The final determination of the Group's tax liability may be materially different from what is reflected in the Company's income tax provisions and related balance sheet accounts and future changes in, or any new interpretation of, tax legislation applicable to Group entities may reduce net returns to the Company's shareholders.

Also, if the Group is successful in finding large commercially recoverable volumes of oil and gas in one of its exploration assets, there is a risk that the host government in question may decide to increase the royalty payable to it or change material PSC/PSA terms.

The actualization of any of the above risks may have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

#### **The uncertainty of the tax system in the KRI may adversely affect taxation of the Group, reducing net returns to the Company's shareholders**

Taxation of the Group's operations in the KRI is currently governed by regional law and the terms of the Group's PSCs. However, there is uncertainty related to the tax laws of the KRI and no well-established tax regime is in place. In the event that the terms of the Group's PSCs cease to be recognized as valid or are otherwise unenforceable in the KRI or Iraq generally, or the legislation currently governing taxation of the Group's operations is overridden or adversely affected by enactment of any future laws or regulations, there may be a material adverse effect on the Group's business, results of operations, financial condition or prospects.

#### **The Norwegian petroleum tax refund scheme has been under pressure and may be revised**

On the NCS, the Group is in a build-up phase where exploration expenditures outweigh taxable income. The Group therefore benefits from the exploration cost refund scheme which generated a cash refund of NOK 523million in December 2019. Under current Norwegian tax rules, companies which are not in a taxable position may annually claim a refund from the Norwegian state of the tax value of direct and indirect costs, except the financial cost, incurred in connection with the exploration for petroleum resources on the NCS. The tax value is set to the total of relevant direct and indirect exploration costs multiplied by the tax rate, currently at 78 percent. The refund will reduce the tax loss to be carried forward correspondingly. The amount of exploration costs may not exceed the annual net loss from the petroleum activities of the taxpayer, to ensure that the costs are not already set off against taxable income. A future exploration refund claim may be used as security for financing purposes. In addition to the exploration refund, E&P companies with petroleum activities on the NCS may also obtain a refund of the tax value of remaining carry forward losses upon cessation of its petroleum activities on the NCS. This refund requires that the company has ceased all of its petroleum activities on the NCS, either voluntarily or through a bankruptcy.

These tax refund schemes have attracted criticism from certain political parties in Norway, and have been subject to scrutiny by, inter alia, environmentalist organizations. In 2017, the Bellona Foundation, a Norwegian environmentalist non-profit organization filed a complaint to the EFTA Surveillance Authority ("ESA"), claiming that the mentioned exploration costs refund scheme is in violation of the prohibition against state aid and subsidies under the European Economic Area Agreement ("EEA Agreement"). ESA decided on 20 March 2019, however, that the annual cash refund does not constitute state aid under the EEA Agreement.

Although this particular case is settled for the time being, the petroleum industry, particularly in relation to tax schemes, may be affected by regulations to come due to an increasing climate focus. Such changes may have a material adverse effect on the Group's cash position and, in turn, the Group's business activities, results of operations, financial condition or prospects.

**CO2 taxes may increase, increasing the Group's operational cost**

Since 1991, oil companies operating on the NCS have been paying a CO2 tax according to the level of their emissions. The tax rate has gradually increased to approximately NOK 500 per tonne of CO2 emissions, and was yet again increased by 5 percent in the 2020 State Budget. Similarly, a stricter European Emissions Trading Scheme and a higher Carbon Price Floor in the UK may increase the Group's cost of producing oil and gas.

In the same vein, the Norwegian government has recently pushed for electrification of offshore oil and gas production to reduce the country's CO2 emissions. A further push in this direction may also increase the Group's operational cost, which may have a material adverse effect on business, results of operations, financial condition or prospects.

**1.3 POLITICAL RISK****1.3.1 Risk relating to the Group's operations in the Middle East****Most of the Group's production and reserves are located in the Middle East**

Although the Group re-entered the North Sea (Norway and the UK) through the acquisitions of Origo Exploration Holding AS ("Origo") in 2017 and Faroe Petroleum plc ("Faroe") in 2019, the Group's producing assets and related operations are still predominantly located in the Middle East region, namely in the KRI. In addition to the operational and other risks associated with the Group's E&P operations, the Group is subject to risks specifically relating to its operations in the Middle East, including political, social and economic instability.

**Parts of the Middle East are currently prone to political, social and economic instability**

Parts of the Middle East are currently prone to political, social and economic instability. Instability in the region may result from a number of factors, including government or military regime change, sanctions, civil unrest or acts of terrorism. For example, the Turkish bombardment of the northern parts of Syria in 2019 across the border from the Group's Tawke license created a tense situation, as did the ISIS offensive in the region from 2014 onwards. Such instability could disrupt the Group's operations, lead to a decline in production and otherwise adversely affect the Group's business.

Furthermore, such instability could threaten the security of the Group's assets, personnel and transportation systems. There can be no assurance that the Group will be able or permitted to obtain or maintain effective security arrangements for any of its assets or personnel in this region. There can also be no assurances that the governments of this region will be able to provide the necessary degree of peace, order, stability and security specifically for the Group to carry out its operations.

Additionally, political, social and economic instability creates uncertainty as to whether the governments with which the Group has negotiated licenses will remain in power and, if they are replaced, whether future decision-makers will honor the terms of the licenses held by the Group. It also creates uncertainty about whether the Group can safely conduct its operations and execute its development plans in the region.

The actualization of the risks above may have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

**The Group operates in jurisdictions where it may be difficult to interpret the applicable laws and regulations and obtain or enforce court rulings and arbitral awards**

Some of the jurisdictions in which the Group operates or has recently been operating have developing legal systems which may make it difficult to interpret the applicable laws and regulations in these jurisdictions, for example in circumstances not yet considered under local laws or to obtain or enforce court rulings and arbitral awards. Enforcement of laws may depend on, and be subject to, the interpretation of such laws by the relevant local authorities, and such authorities may adopt an interpretation of an aspect of local law that differs from the advice that has previously been given to members of the Group.

Any failure by the Group to correctly interpret the applicable laws and regulations or to obtain or enforce court rulings and arbitral awards in the jurisdictions where it operates may have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

**The Group's assets may be nationalized or expropriated**

There is a risk that the Group's property and other rights in the countries in which it operates could be nationalized or expropriated. Statutory and contractual protections of the Group's property interests in these countries may

not be sufficiently robust to protect the Group against nationalization or expropriation, and the Group may not receive adequate compensation or be able to obtain proper redress in local or international courts or arbitration tribunals which may have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

### **1.3.2 Risks relating to the Group's operations in the KRI**

As a result of the historical and legal position of the KRI, and the relationships of the KRG with the FGI and with neighboring countries such as Turkey, the Group and other international E&P companies operating in the KRI face a number of risks specific to the region as set forth below.

#### **The FGI has historically disputed the validity of the PSCs entered into by oil and gas companies with the KRG and there can be no assurance that the Group can protect its interests in assets in the KRI**

Although the Group has good title to its licenses in the KRI, including the right to explore for and produce oil and gas from these licenses, the FGI has in the past challenged the validity of certain PSCs signed by the KRG. Should the FGI (pursuant to any future federal oil and gas law or otherwise) attempt to revoke or materially alter the PSCs held by the Group in the KRI, it could disrupt or halt the Group's operations in the KRI, lead to administrative fines or penalties, subject the Group to contractual damages or delay or prevent the Group's execution of its strategy. The actualization of any of the above risks may have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

#### **There can be no assurance that the Group will receive payments for its oil exports or recover costs as provided in its PSCs in the KRI**

The Group generates revenues in the KRI through the sale of oil produced from the Tawke license which is then exported by pipeline through Turkey by the KRG. In the past, export sales have not followed the PSC terms and there has historically been uncertainty related to both timing of revenue and receipt of payments.

As a compensation for earlier missed payments, on 24 August 2017, the Group, through its subsidiary DNO Iraq AS ("DNO Iraq"), and the KRG, completed the Receivables Settlement Agreement ("RSA"), a settlement of all outstanding receivables owed to the Group for past oil deliveries. The RSA had an effective date of 1 August 2017. Under the RSA, the Group was assigned the 20 percent interest in the Tawke license previously held by the KRG, bringing the Group's operated interest to 75 percent. In addition to the 20 percent interest, the Group will receive three percent of gross license revenues each month from the KRG over a five-year period. The KRG also discharged the Group from certain payment obligations, including those for production bonuses, license fees and a water purification project. In addition, the KRG has exercised its Tawke license audit rights to its satisfaction for the period up to the effective date and has no adjustment claims.

In the past, the Group has also sold Tawke license oil into the local market and has been subject to the KRG's Ministry of Natural Resources' overall guidance on volumes and price. If there are any disruptions to the current export route, there can be no guarantee that the Group will in the future be permitted to sell oil on the local market in quantities or at prices sufficient to generate economic benefit. Local sales prices have historically been significantly lower than prevailing international oil and gas prices.

The actualization of any of the above risks may have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

#### **The Group is subject to political and legal uncertainty relating to the KRI's status within Iraq's federal structure**

The issue of regional autonomy in Iraq, and in particular the autonomy of the KRI, is a subject about which various political factions in Iraq disagree and which could lead to political and legal uncertainty that could negatively affect the Group. In September 2017, the KRI held a referendum vote for independence from Iraq which received wide support from voters. The FGI, however, strongly opposed the referendum, subsequently imposing measures including stricter border control, closing of airports and military occupation of certain disputed areas in the Kirkuk province. The KRG has not progressed the independence process following the interventions but the operating and political environments in the KRI were interrupted for a period when the interventions took place. Such developments and the resulting uncertainty may have an adverse effect on the Group's business, results of operations, financial condition or prospects.

#### **The Group's PSCs are subject to audit and there is uncertainty relating to the outcome and impact of any such audit on the Group's recovery of costs and financial results**

The Group's PSCs are subject to audit by regulatory authorities in the respective host countries. In the KRI, the FGI, in coordination with the KRG, commenced an audit of the accounts of the Group's three PSCs in October

2011, but the audit was discontinued in February 2012. As part of the RSA, it was agreed that the KRG has exercised its audit rights for the period up to the effective date of 1 August 2017 and has no adjustment claims. Separately, the KRG has initiated audits in 2017 and 2018 on production data and payment of bonuses. The audits are not yet closed, and a cost audit is also expected to take place.

In the event that these or other future audits determine that the costs recoverable by the Group are lower than the costs actually incurred or are lower than the costs that the Group has expected it will recover, the Group may not fully recover its costs, which would result in lower profits than expected. A significant decrease in profits as a result of these risks may have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

**The KRI could be negatively impacted by instability resulting from military operations and instability in the rest of Iraq**

There is a risk that the KRI could be destabilized by a number of factors, including the threat of the self-proclaimed Islamic State or instability in the rest of Iraq, which has a history of political and social instability. There can be no assurance that the Group's operations in the KRI will not be materially impacted by civil unrest or cross-border military activities, or that the Group will be able to obtain or maintain effective security arrangements for any of its assets or personnel in the KRI. In the event that the KRI is negatively impacted by instability within Iraq or cross-border military operations, the Group could face disruption to, or cessation of, its operations or lose key personnel, any of which may have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

**1.3.3 Risk relating to the Group's operations in Yemen**

Operations in Yemen are currently suspended. The ongoing conflict in Yemen entails risk that the Group could face continued disruption over a prolonged period to its operations, which may have an adverse effect on the Group's business in Yemen, results of operations, financial condition or prospects.

**1.3.4 Risk relating to the Group's past operations in Oman**

On 3 January 2019, the Company announced that its subsidiary DNO Oman Block 8 Limited ("DNO Oman") had relinquished operatorship and participation in Oman Block 8 to the Oman's Ministry of Oil and Gas and the state-owned Oman Oil Company Exploration and Production LLC ("OOCEP"). Effective 4 January 2019, with the expiry of the 30-year commercial term of the Exploration and Production Sharing Agreement ("EPSA"), Block 8 is operated by the Musandam Oil and Gas Company, fully-owned by OOCEP.

DNO Oman held a 50 percent interest in the license alongside LG International, which held the remaining 50 percent interest. The expiry of the EPSA and subsequent relinquishment of the block has given rise to certain contested issues with respect to cost recovery, operational and other aspects between Oman and DNO Oman which are currently unresolved as of the date of the Registration Document. This may have an adverse effect on the Group's business, results of operations, financial condition or prospects.

**1.4 LITIGATION AND REGULATORY RISKS**

**Future and current disputes, litigation or regulatory investigations, could adversely affect the Group's business, results of operations, financial conditions or prospects**

From time to time, the Group is involved in disputes and litigation matters. Some of these are ongoing. The ultimate outcome of any such disputes and their effect on the Group cannot be predicted and may be material. While the Group assesses the merits of each dispute and defends itself accordingly, it may incur significant expenses and/or devote significant resources to defending itself in such disputes. Furthermore, reputational harm may arise from such disputes.

As an example, the relationships between owners of host facilities, satellite fields and the transportation systems in the North Sea are covered by commercial agreements, the interpretation of which may be disputed. Substantial claims may arise regarding tariffs, processing fees and reallocation of production, factors which may have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

Although the Group has policies and procedures designed to ensure that the Group operates in compliance with applicable laws and regulations, there can be no absolute assurance that such policies or procedures will fully protect the Group against liability for actions taken by its employees or other parties outside of such policies or procedures and deemed to be acting on the Group's behalf with respect to the Group's business. If the Group or its employees do not comply with applicable laws, regulations and sanctions regimes (including local laws), one or both may be subject to criminal and civil penalties and other remedial measures, including investigations

relating to potential violations of these laws, regulations and sanctions regimes. Furthermore, the Group may have to implement remediation measures in response to potential or alleged violations of applicable laws, regulations and sanctions regimes (including local laws), including any necessary changes or enhancements to the Group's procedures, policies and controls and potential personnel changes and/or disciplinary actions, all of which may have a material adverse effect on its business, results of operations, financial condition or prospects.

## 1.5 MARKET RISK

### **Exchange rate fluctuations and inflation may increase the Group's operating costs**

The Group's revenues are received in USD and euros ("EUR") whereas its operational costs are primarily in USD, but also in NOK, pound sterling ("GBP"), Iraqi dinar ("IQD"), Yemeni rial ("YER") and United Arab Emirates Dirham ("AED"). The Group's reporting currency is USD. The Group is accordingly exposed to fluctuations in exchange rates and currency devaluations the effects of which are specified in the Company's annual reports. Exchange rate and currency fluctuations as well as inflation in the countries in which the Group operates may have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

### **The Group faces risks relating to the UK's withdrawal from the EU**

A referendum was held in the UK on 23 June 2016 on whether the UK will remain a member of the EU, the result of which was a vote to leave ("Brexit"). The UK General Election on 12 December 2019 reinforced the Brexit mandate and set the country on course for a January 2020 withdrawal. The consequences of the UK leaving the EU are as yet uncertain. Because a significant proportion of law and regulation applicable in the UK is based on EU legislation and directives, Brexit could materially change the legal and regulatory framework that would be applicable to the Group's operations in the future, hereunder its E&P licenses.

Parts of the Group's UK business is in Scottish waters and the Group also relies on Scottish suppliers. Calls for Scottish independence may increase in strength as a result of Brexit. An affirmative vote in favor of Scottish independence would create large uncertainty when it comes to Scotland's future legal framework, international relations and currency.

Furthermore, as of 31 December 2018, the Group had unrelieved corporation tax losses in the UK of £45 million, which have principally been derived from operations in the West of Shetlands area, being Scottish waters. The unrelieved tax losses are currently available for offset against future taxable profits generated from operations in the whole of the UK.

In the event of Scottish independence, there is a risk that the Scottish fiscal regime would accrue the majority of the Group's tax losses as Scottish and restrict the Group from offsetting future profits generated from its operations in the UK. In the absence of such tax losses, the Group's profits from operations in the UK could be materially adversely affected, and it could make utilisation of past tax losses more difficult. This may reduce the Group's competitiveness when bidding for assets.

The actualization of any of the above risks may have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

### **Climate regulation may reduce the Group's achieved oil prices**

The majority of the Group's oil production is relatively heavy crude coming from the Peshkabir and Tawke fields in the KRI. The Tawke crude has an API grade of 27.2 and a sulfur content of 3.12 percent as of November 2019. This type of crude has historically been sold at a substantial discount to international reference prices such as Brent Blend ("Brent"), the discount amounting to USD 9 per barrel in November 2019. New climate motivated regulation, such as the new international standard on shipping fuel (IMO 2020), may reduce the demand for heavy crudes and reduce the price received by the Group. Starting in 2020, IMO regulations are forcing all shipping vessels to move to a sulfur cap of 0.5 percent on fuel consumption, down from the previous 3.5 percent sulfur cap, which is significantly reducing demand for higher sulfur crudes. With the shipping industry moving away from high-sulfur fuel oil ("HSFO") to be compliant with the new regulations, this has HSFO prices plummeting in price and shifting the economics of processing high-sulfur crudes. New regulations may have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

## **2 PERSONS RESPONSIBLE**

### **Persons responsible for the information**

Persons responsible for the information given in the Registration Document are as follows:

DNO ASA  
Dokkveien 1,  
0250 Oslo,  
Norway

### **Declaration by persons responsible**

DNO ASA confirms that, to the best of its knowledge, the information contained in the Registration Document is in accordance with the facts and that the Registration Document makes no omission likely to affect its import.

Oslo, 27<sup>th</sup> February 2020

DNO ASA

### **Competent authority approval**

This Registration Document, drawn up as part of a simplified prospectus in accordance with Article 14 of Regulation (EU) 2017/1129, has been approved by the Norwegian FSA, as competent authority under Regulation (EU) 2017/1129. The Norwegian FSA only approves this Registration Document as meeting the standards of completeness, comprehensibility and consistency imposed by Regulation (EU) 2017/1129. Such approval should not be considered as an endorsement of the issuer that is the subject of this Registration Document.

### 3 INFORMATION ABOUT THE COMPANY

#### 3.1 Company corporate information

The Company's legal name is DNO ASA and the commercial name is DNO. The Company is a Norwegian public limited liability company (*allmennaksjeselskap*) organized and existing under the laws of Norway pursuant to the Norwegian Public Limited Liability Companies Act of 13 June 1997 no. 45 (the "Norwegian Public Limited Liability Companies Act").

The Company was incorporated on 6 August 1971 and received its first revenues from the British Heather field in 1974, before being awarded its first license on the NCS in 1984. In 1991, the Company sold its petroleum licenses in order to become a pure investment company but reappeared as an oil company later in the decade under new ownership and management. In 1998, the Company entered into Yemen, and in 2000 the Group was again awarded licenses in Norway. However, after entering the KRI as the first international oil company in 2004, the Company gradually sold off the Norwegian assets to focus on the Tawke field. The first crude oil export from Tawke commenced in 2009 and the operated production from the field surpassed 100,000 barrels of oil per day ("bopd") in 2013. On the back of the cash flow from Tawke, the Company acquired Origo in 2017 to reestablish a position in the North Sea. Two years later, the Company also acquired Faroe to further strengthen its North Sea activity.

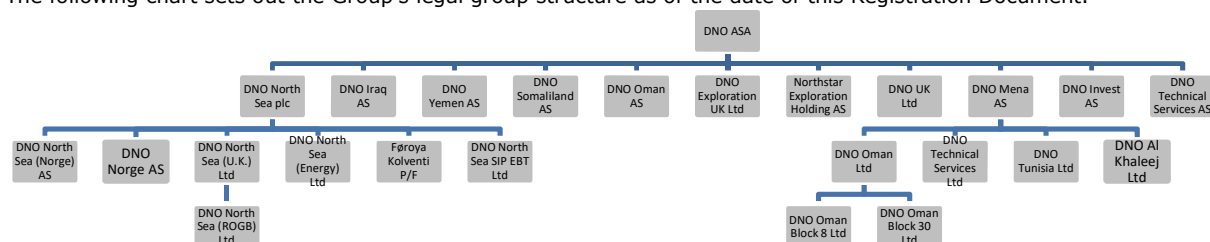
The Company's registration number in the Norwegian Register of Business Enterprises is 921 526 121 and LEI code 5967007LIEEXZXH3K072. The shares in the Company have been listed on the Oslo Stock Exchange since 1981. The Company's registered office is located at Dokkveien 1, N-0250 Oslo, Norway, its telephone number is +47 23 23 84 80 and its fax number is +47 23 23 84 81.

Website: [www.dno.no](http://www.dno.no)<sup>1</sup>

#### 3.2 Legal structure

The Company, the parent company of the Group, is a holding company and the operations of the Group are carried out through the operating subsidiaries of the Company.

The following chart sets out the Group's legal group structure as of the date of this Registration Document.



As a holding company, the Company is dependent upon the performance of its subsidiaries. The following table sets out information about the entities in the Group:

<u>Company</u>	<u>Country of incorporation</u>	<u>Field of activity</u>	<u>Holding (%)</u>
DNO Iraq AS	Norway	Oil and gas extraction and related services	100
DNO Invest AS	Norway	Dormant	100
DNO Norge AS	Norway	Oil and gas extraction and related services	100
DNO MENA AS	Norway	Management of oil and gas extraction and related services	100
DNO Oman AS	Norway	Dormant	100
DNO Somaliland AS	Norway	Oil and gas extraction and related services	100
DNO Technical Services AS	Norway	Management of oil and gas extraction and related services	100
DNO Yemen AS	Norway	Oil and gas extraction and related services	100
Northstar Exploration Holding AS	Norway	Dormant	100
DNO UK Ltd	United Kingdom	Oil and gas extraction and related services	100

<sup>1</sup> Disclaimer - the information on the website does not form part of this Registration Document unless information is incorporated by reference into the Registration Document

DNO Exploration UK Limited	United Kingdom	Oil and gas extraction and related services	100
DNO Oman Limited	Bermuda	Oil and gas extraction and related services	100
DNO Al Khaleej Limited	Guernsey	Dormant	100
DNO Technical Services Limited	Guernsey	Oil and gas extraction and related services	100
DNO Tunisia Limited	Guernsey	Dormant	100
DNO Block 30 Limited	Guernsey	Dormant	100
DNO Oman Block 8 Limited	Guernsey	Oil and gas extraction and related services	100
DNO North Sea plc	United Kingdom	Management of oil and gas extraction and related services	100
DNO North Sea (ROGB) Limited	United Kingdom	Oil and gas extraction and related services	100
DNO North Sea SIP Employee Benefit Trust Ltd	United Kingdom	Dormant	100
DNO North Sea (U.K.) Limited	United Kingdom	Oil and gas extraction and related services	100
DNO North Sea (Energy) Limited	United Kingdom	Dormant	100
DNO North Sea (Norge) AS	Norway	Oil and gas extraction and related services	100
Føroya Kolventi P/F	Faroe Islands	Dormant	100

### 3.3 Share capital

As of the date of this Registration Document, the Company's share capital is NOK 270,953,540.25 divided into 1,083,814,161 shares, each with a nominal value of NOK 0.25. All the shares have been created under the Norwegian Public Limited Liability Companies Act and are validly issued and fully paid. The Company has one class of shares.

### 3.4 Major shareholders

As of 13 January 2020, the Company had 16,574 shareholders. The Company's 20 largest shareholders as of the same date are shown in the table below:

<u>Shareholders</u>	<u>Shares</u>	<u>% of shares</u>	<u>Account type</u>	<u>Country</u>
RAK PETROLEUM HOLDINGS B.V.	438,379,418	40.45	COMP	NLD
DNO ASA	105,500,000	9.73	COMP	NOR
STATE STREET BANK AND TRUST COMP	21,212,443	1.96	NOM	USA
FOLKETRYGDFONDET	18,678,793	1.72	COMP	NOR
VERDIPAPIRFONDET PARETO INVESTMENT	11,074,000	1.02	COMP	NOR
JPMORGAN CHASE BANK, N.A., LONDON	10,588,197	0.98	NOM	USA
STATE STREET BANK AND TRUST COMP	8,280,038	0.76	NOM	USA
JPMORGAN CHASE BANK, N.A., LONDON	5,902,015	0.54	NOM	LUX
NORDNET BANK AB	5,830,535	0.54	NOM	SWE
CITIBANK, N.A.	4,801,785	0.44	NOM	IRL
VERDIPAPIRFONDET NORDEA KAPITAL	4,697,656	0.43	COMP	NOR
CLEARSTREAM BANKING S.A.	4,600,524	0.42	NOM	LUX
CITIBANK, N.A.	4,541,893	0.42	NOM	IRL
VERDIPAPIRFONDET NORDEA AVKASTNING	4,460,833	0.41	COMP	NOR
CITIBANK, N.A.	4,378,535	0.40	NOM	IRL
AVANZA BANK AB	4,350,421	0.40	NOM	SWE
J.P. MORGAN BANK LUXEMBOURG S.A.	4,079,428	0.38	NOM	LUX
HSBC TRINKAUS & BURKHARDT AG	4,006,324	0.37	NOM	DEU
STOREBRAND NORGE I VERDIPAPIRFOND	3,751,650	0.35	COMP	NOR
CITIBANK, N.A.	3,391,712	0.31	NOM	IRL
<b>20 largest shareholders total</b>	<b>672,506,200</b>	<b>62.05</b>		
<b>Other shares</b>	<b>411,307,961</b>	<b>37.95</b>		
<b>Total</b>	<b>1,083,814,161</b>	<b>100.00</b>		

RAK Petroleum Holdings B.V. holds more than one third of the shares in the Company and is the largest shareholder in the Company. RAK Petroleum plc, the parent company of RAK Petroleum Holdings B.V., holds two board positions in the Company. However, the Company has three independent board positions. As such, to the extent known to the Company, there are no persons or entities that, directly or indirectly, jointly or severally, exercise or could exercise control over the Company. The Company is not aware of any arrangements which could result in a change of control of the Company at a subsequent date.



## **4 INDUSTRY AND MARKET OVERVIEW**

### **4.1 Overview of the Group's areas of operation**

#### *4.1.1 KRI*

The KRI is estimated to hold four billion barrels of proven oil reserves and the KRG estimates that it holds 45 billion barrels in reserves and unproven resources<sup>2</sup>. The KRI is currently exporting in excess of 400,000 bopd via pipeline to the Ceyhan terminal in Turkey to international markets. The Company's contribution from the Tawke license represents around one third of the total of the KRI's exports. Other international operators in the region include ExxonMobil, Chevron, Rosneft, TAQA, Genel and Gulf Keystone.

#### *4.1.2 Norway*

Norway is a significant oil and gas producer, producing 1.74 million bopd and 1.95 million barrels of oil equivalent per day ("boepd") of gas in 2019. Since production started in 1971, oil and gas has been produced from more than one hundred different fields on the NCS. At the end of 2019, 87 fields were in production. Four new fields started producing in 2019, the largest of them being the Johan Sverdrup field, while seven new field development plans were approved by the authorities.

Many of the producing fields are ageing, but some still have substantial remaining reserves. Moreover, the economically recoverable resource base in these fields increases when small discoveries in the area are tied in to existing infrastructure. According to the Norwegian Petroleum Directorate ("NPD") only 48 percent of overall estimated oil and gas resources in Norway had been produced by yearend 2019.

At the beginning of 2020, a total of 39 E&P companies were active on the NCS: 24 companies as operators and 15 as partners in production licenses. The diversity of companies of all sizes promotes competition and efficiency. It also ensures interest in different types of projects, and implementation of different kinds of new and cost-effective technologies.

#### *4.1.3 UK*

The UK is a mature region that has been producing oil and gas offshore since 1967. Despite this, Wood Mackenzie estimated in July 2016 that about 15 percent of the remaining reserves are yet to be produced.

In 2018, the oil production rose by 8.9 percent on the previous year to 1.09 million bopd, the highest UK oil production rate since 2011, whereas gas production fell by 3.5 percent to 0.61 million boepd. According to a public report published by the Oil and Gas Authority ("OGA") in 2019, UK oil and gas production over the period 2016–2050 is projected to be 11.9 billion barrels of oil equivalent ("boe"), 3.9 billion boe higher than projected four years earlier.

There is an even larger and more diverse number of oil and gas companies active in the UK than in Norway.

<sup>2</sup> EIA Energy ([https://www.eia.gov/beta/international/analysis\\_includes/countries\\_long/Iraq/iraq.pdf](https://www.eia.gov/beta/international/analysis_includes/countries_long/Iraq/iraq.pdf)) (April 2016).  
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## 5 BUSINESS OVERVIEW

### 5.1 Overview

The Company is a Norwegian oil and gas operator focused on the Middle East and the North Sea. Founded in 1971 and listed on the Oslo Stock Exchange, the Company holds stakes in onshore and offshore licenses at various stages of exploration, development and production in the KRI, Norway, the UK, Netherlands, Ireland and Yemen.

### 5.2 The Group's assets

#### 5.2.1 Overview of the Group's assets

The Group holds interests in three licenses in the KRI, all of which are PSCs. The Tawke PSC contains the producing Tawke and Peshkabir fields. The Erbil PSC contains the Benenan and Bastora fields. The Baeshiqah PSC contains two large structures with multiple independent stacked target reservoirs, including in the Cretaceous, Jurassic and Triassic.

As of February 2020 the Group held 87 licenses in Norway of which 22 were operated. The Group has diversified production across 13 fields, of which nine are in Norway and four in the UK. In the North Sea, 13 wells spud through the end of the third quarter in 2019 with an additional four wells planned for the fourth quarter.

The Group also holds one license in Yemen at Block 47.

As is customary in the oil and gas E&P industry, most of the Group's assets are held in unincorporated joint ventures with other companies. Below is an overview of the Group's licenses which are held through several wholly-owned subsidiary companies.

<b>Region/License</b>	<b>Participating interest</b>	<b>Operator</b>	<b>Status<sup>1</sup></b>
<b>KRI</b>			
Baeshiqah PSC	32%	DNO Iraq AS	E
Erbil PSC	40%	DNO Iraq AS	A/D/P
Tawke PSC	75%	DNO Iraq AS	E/A/D/P
<b>Norway</b>			
PL006 C	85%	DNO Norge AS	E
PL006 E	85%	DNO Norge AS	E
PL006 F	85%	DNO Norge AS	E
PL018ES	100%	DNO	E
PL019	20%	Aker BP	P
PL019 E	20%	Aker BP	P
PL019F	45%	Aker BP	P
PL019 H	20%	Aker BP	E
PL036 D	28.85%	Aker BP	P
PL048 D	9.3%	Equinor	P
PL053 B	14.26%	Wintershall	P
PL055	14.26%	Wintershall	P
PL055 B	14.26%	Wintershall	P
PL055 D	14.26%	Wintershall	P
PL065	45%	Aker BP	P
PL065 B	45%	Aker BP	P
PL122	17%	Vår	P
PL122 B	17%	Vår	P
PL122 C	17%	Vår	P
PL122 D	17%	Vår	P
PL147	50%	DNO Norge AS	P
PL159 B	32%	Equinor	P
PL159 G	32%	Equinor	P
PL169 E	87%	DNO Norge AS	P
PL185	14.26%	Wintershall	P
PL248 F	20%	Wintershall	E
PL248 GS	20%	Wintershall	E
PL248 HS	20%	Wintershall	E
PL274	55%	DNO Norge AS	S
PL274 CS	55%	DNO Norge AS	S
PL293 B	29%	Equinor <sup>2</sup>	E
PL300	45%	Aker BP	P
PL405	15%	Spirit	D
PL433	15%	Spirit	D
PL586	7.5%	Neptune	D
PL644	20%	OMV	E
PL644 B	20%	OMV	E
PL644 C	20%	OMV	E
PL740	50%	DNO Norge AS	D
PL740 B	50%	DNO Norge AS	E
PL740 C	50%	DNO Norge AS	E

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PL749	20%	Spirit	E
PL767	10%	Lundin	E
PL767 B	10%	Lundin	E
PL811	20%	Spirit	E
PL825	50%	DNO Norge AS	E
PL827 S	49%	Equinor <sup>2</sup>	E
PL836 S	30%	Wintershall	E
PL845	20%	ConocoPhillips	E
PL859	20%	Equinor	E
PL870	20%	Equinor	E
PL881	30%	Wellesley	E
PL888	40%	DNO Norge AS	E
PL902	10%	Lundin	E
PL902 B	10%	Lundin	E
PL906	20%	Aker BP	E
PL921	15%	Equinor	E
PL922	20%	Spirit	E
PL923	20%	Equinor	E
PL924	15%	Equinor	E
PL926	60%	DNO Norge AS	E
PL929	10%	Neptune	E
PL931	40%	Wellesley	E
PL943	30%	Equinor	E
PL950	10%	Lundin	E
PL951	20%	Aker BP	E
PL953	30%	Wintershall	E
PL967	60%	DNO Norge AS	E
PL968	40%	DNO Norge AS	E
PL969	45%	DNO Norge AS	E
PL975	60%	DNO Norge AS	E
PL983	20%	Equinor	E
PL984	40%	DNO Norge AS	E
PL986	20%	Aker BP	E
PL987	20%	Suncor	E
PL988	30%	Lundin	E
PL990	30%	Equinor	E
PL991	60%	DNO Norge AS	E
PL994	30%	Neptune	E
PL995	60%	DNO Norge AS	E
PL1006	30%	Equinor	E
PL1007	40%	DNO Norge AS	E
PL1015	30%	INEOS	E
PL1021	50%	DEA	E
PL1022	30%	Aker BP	E
PL1024	30%	Repsol	E
PL1027	20%	Lundin	E
PL1029	40%	Lundin	E
<b>United Kingdom</b>			
P111	54.27%	Repsol Norge	P
P219	18.18%	Repsol Sinopec North Sea	P
P255	45%	DNO North Sea (U.K.) Limited	E
P454	5.89%	Neptune Energy	P
P558	10%	BP Exploration	P
P611	5.89%	Neptune Energy	P
P803	10%	BP Exploration	P
P1763	12.5%	Azinor Catalyst	E
P2074	25%	Chrysaor CNS Limited	E
P2312	15%	Nautical Petro	E
P2401	45%	DNO North Sea (U.K.) Limited	E
P2472	70%	DNO North Sea (U.K.) Limited	E
<b>Ireland</b>			
LO16/23	20%	CNOOC	E
<b>The Netherlands</b>			
D15	5%	Neptune	P
D18a	2.5%	Neptune	P
<b>Yemen</b>			
Block 47	64%	DNO Yemen AS	E/D

1. A = Appraisal, E = Exploration, D = Development, P = Production, R = Under Relinquishment, S = Operations Suspended.
2. On 28 February 2020 DNO will increase its ownership share in PL 293B and PL 827S from 20 to 29 percent and 40 to 49 percent, respectively.

In addition to the licenses listed above, on 14 January 2020 the Group was awarded participation in 10 exploration licenses, of which two are operatorships, under Norway's Awards in Predefined Areas ("APA") 2019 licensing round. Of the 10 new licenses, five are in the North Sea, two in the Norwegian Sea and three in the Barents Sea. The ownership to the APA licenses will formally be granted by the authorities following the companies' acceptance.

<u>Region/License</u>	<u>Participating interest</u>	<u>Operator</u>	<u>Status<sup>2</sup></u>
PL1083	30%	Lundin	E
PL1077	40%	Equinor	E
PL1076	50%	Equinor	E
PL1070	30%	Total	E
PL1056	20%	Shell	E
PL1048	50%	Lundin	E
PL987 B	20%	Suncor Wintershall	E
PL055 E	14.26%	DEA	E
PL984 BS	40%	DNO Norge AS	E
PL1036	60%	DNO Norge AS	E

The Group's licenses in the Middle East region are structured as PSAs or PSCs, which govern the manner in which costs and revenues from oil and gas production are shared between the host government and the license holders. Under a PSA or PSC, E&P activities are carried out by the license holders. Typically, all risks and costs of E&P in these licenses are carried by the Group and its joint venture partners. If exploration is successful, the Group recovers its share of investments and operating costs from the so-called "cost oil", a percentage of oil and gas produced and sold after the government has deducted a royalty. Additionally, the Group is entitled to receive "profit oil" which is a share of the remaining production, if any, after payment of royalty and deduction of cost oil. This profit oil is shared among the license holders and the government under terms set out in each PSA or PSC.

#### 5.2.2 *Reserves and resources data*

The reserves and resources data contained in this Registration Document are derived from the Company's annual statement of reserves and resources ("ASRR") for the year ended 31 December 2018. The ASRR is prepared based on the Petroleum Resources Management System ("PRMS") jointly published by the Society of Petroleum Engineers, the World Petroleum Council, the American Association of Petroleum Geologists and the Society of Petroleum Evaluation Engineers. The system is a recognized resource classification system in accordance with the listing and disclosure requirements for oil and gas companies on the Oslo Stock Exchange, see section 3.7 of the Continuing Obligations.

The system uses "reserves", "contingent resources" and "prospective resources" to classify oil and gas resources of varying technical maturity. The maturity within each class is also described to help guide classification of a given asset.

Reserves are those quantities of petroleum anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions. Reserves must further satisfy four criteria: they must be discovered, recoverable, commercial and remaining based on the development project(s) applied.

Reserves are further categorized in accordance with the level of certainty associated with the estimates:

- (i) **"Proven reserves ("1P")"** are those quantities of petroleum 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. If deterministic methods are used, the term reasonable certainty is intended to express a high degree of confidence that the quantities will be recovered. If probabilistic methods are used, there should be at least a 90 percent probability that the quantities actually recovered will equal or exceed the estimate.
- (ii) **"Unproven reserves"** are based on geoscience and engineering data similar to that used in estimates of proven reserves, but technical and other uncertainties preclude such reserves being classified as proven. Unproven reserves may be further categorized as probable reserves and possible reserves:
  - (a) **"Probable reserves"** are those additional reserves which analysis of geoscience and engineering data indicate are less likely to be recovered than proven reserves but more certain to be recovered than possible reserves. It is equally likely that actual remaining quantities

recovered will be greater than or less than the sum of the estimated proven plus probable reserves ("2P"). In this context, when probabilistic methods are used, there should be at least a 50 percent probability that the quantities actually recovered will equal or exceed the 2P estimate. 2P reserves include but are not limited to 1P reserves.

- (b) **"Possible reserves"** are those additional reserves which analysis of geoscience and engineering data suggests are less likely to be recoverable than probable reserves. The total quantities ultimately recovered from the project have a low probability to exceed the sum of proven plus probable plus possible reserves ("3P"), which is equivalent to the high estimate scenario. In this context, when probabilistic methods are used, there should be at least a 10 percent probability that the actual quantities recovered will equal or exceed the 3P estimate. 3P reserves include but are not limited to 2P reserves.

This Registration Document also includes descriptions of contingent and prospective resources. Special uncertainties exist with respect to the estimation of contingent and prospective resources in addition to those set forth above that apply to reserves.

Contingent resources are defined as those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations by application of development projects, but which are not currently considered to be economically recoverable due to one or more contingencies. In the PRMS, the uncertainty of the contingent resources is classified into categories 1C, 2C and 3C in a classification scheme corresponding to the scheme used for reserves (1P, 2P and 3P).

Prospective resources are defined as those quantities of petroleum that are estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future exploration and development projects.

This Registration Document describes reserves on a gross, company working interest ("CWI") and net entitlement ("NE") basis:

- (i) CWI reserves are the product of gross reserves and the CWI held by the Group in a specific field, which is based on the Group's contractual working interest in a particular license and is the Group's share of operating expenses and capital costs, including any carried interest, reduced by any royalty burden; and
- (ii) NE reserves comprise the Group's entitlement to cost oil and profit oil. NE reserves reflect the Group's additional share of cost oil covering its advances towards the government carried interest (if any). NE reserves also include any notional tax paid by the government on behalf of the Group.

### 5.2.3 *The Group's reserves and resources*

At yearend 2018, the Group's CWI 1P reserves stood at 239.7 million barrels of oil ("MMbbls")), unchanged from 239.8 MMbbls at yearend 2017, after adjusting for production during the year and technical revisions. On a 2P basis, the Group's CWI reserves stood at 376.1 MMbbls, down 8.0 MMbbls from 384.1 MMbbls at yearend 2017. On a 3P basis, the Group's CWI reserves were 538.9 MMbbls, compared to 665.7 MMbbls at yearend 2017. The Group's CWI 2C resources were 76.8 million barrels of oil equivalent ("MMboe")), compared to 98.9 MMboe at yearend 2017.

The Group's CWI production in 2018 was 29.9 MMboe (of which 29.1 MMbbls in the KRI and the balance in Oman), up from 26.9 MMboe in 2017 (of which 26.1 MMbbls in the KRI and the balance in Oman).

The Group's CWI yearend 2018 Reserve Life Index ("R/P") stood at 8.2 years on a 1P reserves basis, 12.9 years on a 2P reserves basis and 18.5 years on a 3P reserves basis.

Reported reserves fall within class 1-3 of the NPD classification and 2C resources fall within class 4-7 of the NPD classification.

The following table shows a summary of remaining 1P, 2P and 3P reserves per field on a gross, CWI and NE basis at yearend 2018, derived from the Group's ASRR for the year ended 31 December 2018, which is prepared based on the PRMS reporting standards.

**Remaining reserves at yearend 2018 (Gross, CWI and NE)**

Asset	Proven (1P)			Proven + Probable (2P)			Proven + Probable + Possible (3P)		
	Gross	CWI	NE	Gross	CWI	NE	Gross	CWI	NE
	(MMbbls)	(MMbbls)	(MMbbls)	(MMbbls)	(MMbbls)	(MMbbls)	(MMbbls)	(MMbbls)	(MMbbls)
<b>Developed Assets</b>									
Kurdistan, Tawke field	116.8	80.8	30.2	140.4	96.1	31.7	180.1	122.9	34.1
Kurdistan, Peshkibir field	34.8	24.3	12.2	68.3	47.2	15.9	95.6	65.8	18.6
<b>Total Developed</b>		<b>105.1</b>	<b>42.4</b>		<b>143.3</b>	<b>47.5</b>		<b>188.6</b>	<b>52.8</b>
Asset	Proven (1P)			Proven + Probable (2P)			Proven + Probable + Possible (3P)		
	Gross	CWI	NE	Gross	CWI	NE	Gross	CWI	NE
	(MMbbls)	(MMbbls)	(MMbbls)	(MMbbls)	(MMbbls)	(MMbbls)	(MMbbls)	(MMbbls)	(MMbbls)
<b>Under Development Assets</b>									
Kurdistan, Tawke field	176.9	121.0	43.5	235.4	161.1	53.1	296.5	202.3	56.2
Kurdistan, Peshkibir field	19.4	13.6	2.1	57.7	39.9	13.4	124.6	85.6	24.3
Kurdistan, Bastora field				10.9	5.1	3.2	15.9	7.4	3.5
Kurdistan, Benenan field				57.4	26.7	16.6	118.2	55.0	26.2
<b>Total Under Development</b>		<b>134.6</b>	<b>45.6</b>		<b>232.8</b>	<b>86.3</b>		<b>350.3</b>	<b>110.2</b>
<b>TOTAL DNO ASA</b>		<b>239.7</b>	<b>88.0</b>		<b>376.1</b>	<b>133.8</b>		<b>538.9</b>	<b>163.0</b>

CWI and NE reserves are net to the Group after royalty and include the Group's additional share of cost oil covering its advances towards the government carried interest (if any). CWI reserves reflect pre-tax shares while NE reserves reflect post-tax shares. NE reserves are based on economic evaluation of the license agreements, incorporating projections of future production, costs and oil prices. NE reserves may therefore fluctuate over time, even if there are no changes in the underlying gross and CWI volumes.

Following the RSA, the Company's subsidiary DNO Iraq's interest in the Tawke license increased to 75 percent plus, until 31 July 2022, DNO Iraq is paid three percent of aggregate license revenues. CWI and NE reserves in the table above include the reserves attributable to DNO from this settlement agreement.

The ASRR is available on the Company's website at <https://www.dno.no/en/operations/production-and-reserves/>

### 5.3 The Group's operations

The table below summarizes the Group's oil and gas production on a daily gross production and CWI basis for each of the regions in which it has producing assets for the years ended 31 December 2019, 2018, 2017 and 2016.

Boepd	2019	2018	2017	2016
<b>Gross production (operated)</b>				
KRI	123,940	113,149	109,050	107,299
Oman	46	4,458	4,484	5,325
North Sea	2,999			
<b>Total</b>	<b>126,985</b>	<b>117,607</b>	<b>113,533</b>	<b>112,624</b>
<b>CWI production</b>				
KRI	87,378	79,747	71,438	66,525
Oman	21	1,965	2,242	2,663
North Sea	14,297			
<b>Total</b>	<b>101,696</b>	<b>81,712</b>	<b>73,680</b>	<b>69,188</b>

#### 5.3.1 KRI

##### 5.3.1.1 Description of assets

The Group's operations in the KRI are regulated by the Tawke, Erbil and Baeshiq PSCs, which were entered into with the KRG through its subsidiary DNO Iraq which is the operator of each of the PSCs.

DNO Iraq's participating and paying interest in the Tawke PSC is 75 percent. DNO Iraq is the operator of the

Tawke PSC and its partner is Genel Energy pl (“Genel”) which holds a 25 percent participating and paying interest. The Tawke PSC expires in 2026, but DNO Iraq has the right to one automatic five-year extension (i.e., to 2031) and, if commercial production is still possible at the end of this extended period, DNO Iraq is entitled to, upon request to the KRG, a further five-year extension (i.e., to 2036). Based on DNO Iraq’s current assessments, the production from Tawke PSC will be commercial for the duration of its contractual term and through subsequent extensions.

DNO Iraq’s participating interest in the Erbil PSC is 40 percent and its paying interest is 60 percent as it carries the costs of the 20 percent interest held by the KRG. DNO Iraq is the operator of the Erbil PSC and its partners are Gas Plus Erbil, which holds a 40 percent participating and paying interest, and the KRG, which holds a 20 percent participating interest. The Erbil PSC expires in 2031, but DNO Iraq has the right to one automatic five-year extension (i.e., to 2036) and, if commercial production is still possible at the end of this extended period, DNO Iraq is entitled, upon request to the KRG, to a further five-year extension (i.e., to 2041).

DNO Iraq acquired a 32 percent participating (40 percent paying) interest and operatorship of the Baeshiqa license in 2017. Partners include ExxonMobil with a 32 percent participating (40 percent paying) interest, Turkish Energy Company with a 16 percent participating (20 percent paying) interest and the KRG with a 20 percent carried interest. The Baeshiqa PSC is currently in the first sub-period of the exploration period. This first sub-period expires on 19 December 2019, but DNO Iraq has the right to a one-year extension on certain conditions. If a commercial discovery is declared at any time during the exploration period, the exploration period will terminate and the PSC will on certain conditions enter into the development period, which is 20 years. If commercial production is still possible at the end of the 20-year period, DNO Iraq is entitled to a five-year extension.

Under each of the PSCs, DNO Iraq and its partners must perform certain minimum work obligations during the applicable exploration periods. DNO Iraq, as operator under each PSC, has performed all of the minimum work obligations mandated by the Tawke and Erbil PSCs. Separately, under the Baeshiqa PSC, DNO Iraq has an obligation to drill two wells during the exploration phase of the contract period.

The PSCs operate on a cost oil/profit oil basis. After payment of the royalty, DNO Iraq and its partners can recover their costs, with cost oil entitlements capped at a certain percentage of production in a given calendar year. Unrecovered costs can be carried forward until complete cost recovery is achieved. If all costs are not recovered by the end of the PSC’s term, then (with the exception of decommissioning costs) such costs cannot be cost recovered from another PSC.

Following deductions for cost recovery, the percentage of profit oil allocated to DNO Iraq and its partners, on the one hand, and to the KRG, on the other hand, varies according to a sliding scale determined by reference to cumulative revenue and cumulative costs under each PSC, such that the profit oil percentage to which DNO Iraq and its partners are entitled decreases as cumulative revenue increases relative to cumulative costs. DNO Iraq’s profits are also subject to income tax, which is paid by the KRG on behalf of each license partner out of the government’s share of profit oil.

<b>PSC</b>	<b>Cost oil entitlement cap (percent)</b>	<b>Profit oil entitlement cap (percent)</b>
Tawke .....	45	16-38
Erbil .....	43	16-32
Baeshiqa.....	43	16-32

#### 5.3.1.2 Tawke

Gross output at the Tawke PSC, containing both the Tawke and Peshkabir fields, averaged 123,940 bopd during 2019.

DNO Iraq ramped up production from the Peshkabir field to more than 50,000 bopd less than 18 months after commencement of operations, beating its end-2018 target ahead of schedule and below budget. At Peshkabir, average 2019 production stood at 55,200 bopd, with wells drilled in 2019 contributing 40 percent of field production at yearend. At Tawke, 2019 production stood at 68,800 bopd, with wells drilled in 2019 contributing 13 percent of field production at yearend. Cumulative Tawke field production since inception surpassed 300 MMboe in 2019.

#### 5.3.1.3 Erbil

The Erbil PSC contains both the Benenan and Bastora structures, but test results have been disappointing. DNO Iraq is therefore reassessing options with respect to this license.

#### 5.3.1.4 Baeshiqa

The Baeshiqa PSC contains two large structures with multiple independent stacked target reservoirs, including in the Cretaceous, Jurassic and Triassic. In October 2018, DNO Iraq spud the Baeshiqa-1 exploration well to test the Cretaceous at the Baeshiqa structure. The Baeshiqa-2 exploration well was spud in February 2019 and drilled to

a total depth of 3,204 meters. In November 2019, DNO Iraq issued a notice of discovery to the KRG on the Baeshiq-2 well, in accordance with the requirements of the PSC, after flowing hydrocarbons to surface from the upper part of the Triassic Kurra Chine B reservoir. Further testing is ongoing.

#### 5.3.1.5 Sales

The oil that DNO Iraq produces from the Tawke license is delivered to the DNO-operated Fish Khabur export facility where it is then exported by the KRG by pipeline through Turkey and on to international markets. Up until the end of the third quarter of 2018, revenues from the KRI were recognized upon receipt of cash payment. Following an assessment of facts and circumstances, effective 1 October 2018, DNO Iraq recognizes revenue generated in the KRI in line with invoiced oil sales following monthly deliveries to KRG and not upon cash receipt. The funds are shared by DNO Iraq and partner Genel pro-rata to the companies' interests in the license. Monthly export payments reflect the revenue derived from Tawke production on a netback basis, adjusted for crude quality differentials to Brent in addition to deductions for pipeline transit fees.

#### 5.3.2 Yemen

The Group's operations in Yemen are regulated by the Block 47 PSA which was entered into between DNO's subsidiary DNO Yemen AS with the Ministry of Oil and Mineral Resources on 16 July 1998 and in which DNO acts as the operator. Activity at Block 47 is currently suspended due to the ongoing civil war.

#### 5.3.3 Norway and the UK

In 2017, the Group re-entered the NCS by acquiring Origo, with its experienced exploration team and an existing portfolio of offshore exploration licenses in Norway and the UK. Origo was subsequently renamed DNO Norge AS ("DNO Norge") and the portfolio has since expanded. In January 2019, the Company also gained control over the UK-listed Faroe through a cash offer to all shareholders. On 4 February 2019, the Company had acquired or received acceptances for over 90 percent of the Faroe shares and initiated the compulsory acquisition procedure for the remaining shares, delisting Faroe in the process. Faroe became a wholly-owned subsidiary of the Company effective as from 21 March 2019 and later renamed DNO North Sea plc.

##### 5.3.3.1 Regulatory framework in Norway

Norway has adopted detailed legislation on petroleum activities through the Norwegian Petroleum Act ("NPA") and regulations issued thereunder. The NPA establishes that the Norwegian State has the proprietary right to subsea petroleum deposits on the NCS and that companies are required to obtain licenses to have the right to engage in petroleum activities. Further consents and approvals from the competent authorities are required for key steps in all phases of the petroleum activities.

##### 5.3.3.2 The life cycle - From area opening procedures to the end of production

Petroleum activities can be divided into several phases. An area must be opened for petroleum activities before any operations are permitted. The first phase is exploration, when any subsea petroleum resources are mapped and proved. If commercially viable discoveries are made, activities enter a new phase with the aim of developing the field and producing from it, at the same time ensuring sound resource management and maximizing value creation. Following the cessation of production, the facilities and installations will be subject to decommissioning.

##### 5.3.3.3 Production licenses on the NCS

A production license grants exclusive rights to exploration for and production of oil and gas in the area covered by the license. It also sets out more detailed conditions for activities in a particular area.

Licensees become the owners of a share of the oil and gas produced proportional to their participating interest shares in the license.

Production licenses are awarded either through the ordinary license rounds which usually take place every other year or through Norway's Awards in Predefined Areas ("APA") licensing rounds, which take place annually.

Participating interest shares in production licenses can also be obtained through direct purchase or indirectly by purchasing shares in companies that hold licenses. Any such purchases are subject to the approval of the Ministry of Petroleum and Energy ("MPE") and the Ministry of Finance ("MOF").



#### 5.3.3.4 *Main terms of the production licenses on the NCS*

The terms of NCS production licenses are to a large degree standardized. Key terms are established in both the NPA and regulations issued under the NPA. Norwegian authorities also use standardized license documents and require the use of a standard joint operating agreement ("JOA"). The fiscal terms are also set out in legislation. The rules set out in the NPA and regulations issued thereunder are comprehensive and detailed. The authorities, notably the MPE, the NPD and the Petroleum Safety Authority are given wide discretionary powers under the NPA and the regulations thereunder.

As for the production licenses, the two main license terms require completion of specified work obligations and the entry into an Agreement Concerning Petroleum Activities, which includes a standardized JOA and Accounting Agreement.

The work obligation typically involves collecting and processing seismic data and/or drilling of exploration wells. The content of the work obligation may vary from license round to license round, as between ordinary license rounds and the APA rounds and from license to license. Each individual production license will stipulate a specific deadline for completion of each of the various elements of the work obligation. The deadline must be completed for each element. When the licensees have completed the entirety of the work obligation, it may request that the initial period of the production license be extended. The general rule is that the production license is extended for 30 years, but in certain circumstances the extension may stretch up to 50 years. The MPE also has the power to require that the work obligations are fulfilled prior to any relinquishment of the production license.

The JOA governs all matters pertaining to the joint venture and is the fundamental legal basis for the licensees' obligations toward one another. An operator is responsible for the daily operations of each joint venture and conducts its role on a "no gain, no loss" basis, which implies that the operator shall neither have profit nor loss through the execution of his duties as operator unless losses are the result of willful or gross negligence.

The joint venture participants are primarily liable to each other on a pro rata basis, meaning that each is jointly and severally liable for all obligations arising out of the joint venture's activities. The participants are also obligated to contribute sufficient funds to cover all expenses relating to the joint venture's activities in accordance with their respective participating interest. If a participant defaults on its obligation to provide sufficient funds to the joint venture or to cover its liabilities, non-defaulting participants are obligated to advance the deficient amounts. Strict default rules apply for a defaulting party.

#### 5.3.3.5 *The exploration phase*

Once awarded, a production license is valid for an initial period of up to ten years, which is reserved for exploration activities. To ensure that the area to which the production license applies is explored properly, the licensee group is obliged under the terms of the license to carry out a work program, as mentioned above. If all the licensees agree, they may relinquish the production license once they have completed the work obligations.

#### 5.3.3.6 *The development and operation phase*

If the licensees make a discovery and wish to continue work under the license after they have fulfilled their work obligations, they are entitled to an extension period for the license. The duration of the extension period is determined by the MPE when the license is awarded. Field development and operations take place during the extension period.

The licensees must submit a plan for development and production ("PDO") of a new deposit to the MPE as a basis for approval. A separate plan for installation and operation ("PIO") may be submitted and approved for pipelines or onshore terminals if such installations are not covered by the PDO. A PDO/PIO consists of a development plan and an impact assessment. The latter provides an overview of the likely impacts of the project on the environment, fisheries and society. The report on the impact assessment is sent to all those who may be affected by the project so that they have an opportunity to put forward their views. The process ensures that all relevant arguments for and against the project are known before a decision on development is taken, that the field developments approved are responsible, and that their impacts on other public interests are acceptable. In special cases, the MPE may exempt licensees from the requirement to submit a PDO/PIO.

A license can be renewed when it expires.

#### 5.3.3.7 *Cessation of petroleum activities*

The licensees shall prepare and file for approval of a plan for decommissioning and removal. The NPA requires licensees to submit a decommissioning plan to the MPE between two and five years before the production license expires or is relinquished or use of a petroleum installation will be terminated permanently. A decision will then be made by the MPE with respect to how the license group should carry out the decommissioning and how removal should be done.

Each of the licensees in a license are jointly and severally responsible for decommissioning liability towards third parties (including the Norwegian State). As between the licensees, this liability is however primarily pro-rata based on each licensee's ownership interest in the license, alternatively joint and several in case any of the licensees do not meet their obligations in this respect.

A former licensee having sold its ownership interests remains "secondarily liable" by law for the costs of decommissioning of installations and facilities that existed at the "time of transfer" of the ownership interest to the buyer, in case the buyer does not fulfil its decommissioning obligations as a licensee. In a transaction, the seller and the buyer normally agree that the decommissioning obligations, in the valuation of the assets, are deducted and transferred to the buyer. If so, the seller will generally require to be indemnified by the buyer should the secondary decommissioning liability materialize. Such indemnity is normally secured by a security arrangement agreed in a decommissioning security agreement with more or less standardized terms. The security is often a parent company guarantee ("PCG") or letter of credit arrangement.

Contrary to other jurisdictions, there is no legal basis for the other licensees in a joint venture to require any form of decommissioning security from the buyer in connection with a transaction.

Liability for pollution damage from petroleum activities is regulated in Chapter 7 of the NPA, under which the licensee is liable on a strict basis for pollution which emanates from a facility.

#### *5.3.3.8 Main Terms of the Production Licenses on the UKCS*

The Petroleum Act establishes the regulatory regime applying to oil and gas E&P in the UKCS. All rights to petroleum vest in the Crown, but the OGA grants licenses through annual competitive licensing rounds. Any bid for a license or the acquisition of an interest in an existing license is subject to OGA approval. There are four types of licenses available: production licenses (offshore/onshore), innovative licenses and exploration licenses.

Offshore production licenses run for three successive terms, each connected with a particular activity (i.e., exploration, appraisal and production) and a specific work program. The license will expire at the end of its initial term unless the licensee has completed an agreed initial term work program and surrendered a fixed amount of acreage (normally 50 percent). The license will expire at the end of the second term unless the OGA has approved a development plan. The third term is intended for production. The licensee is not restricted from starting production before the third term, provided the minimum work program is completed and the OGA has approved a development plan.

Licenses impose an escalating annual rental fee over the acreage covered by the license to encourage licensees to surrender fallow areas. Licensees are further required to pay an annual OGA levy. All licenses are governed by Model Clauses, set out in secondary legislation under the Petroleum Act.

Where more than one company holds an interest in a license, their relationship is governed by a JOA which follows the same main principles as in the NCS. Legally there is only ever a single licensee and all companies on a license are jointly and severally liable for operations conducted under the license.

Decommissioning of offshore oil and gas installations and pipelines is regulated by the UK Department for Business Energy and Industrial Affairs ("BEIS") through the Petroleum Act. Decommissioning obligations arise when the UK Offshore Petroleum Regulator for Environment & Decommissioning ("OPRED") issues a "Section 29 notice" on license holders requiring the submission of a decommissioning program. The Section 29 holders are obliged to carry out the approved decommissioning plan on a joint and several basis; failure to comply is a criminal offence. As the objective of the regime is to shield the UK taxpayers from decommissioning costs, the OPRED may serve notice on a wider group of parties, not just the current licensees, including a parent or affiliate of the licensee and any former licensees who held an interest in the license after the first Section 29 notice was issued by the OPRED. Section 29 holders are required to post security for the cost of decommissioning, normally in the form of a letter of credit or facility agreement, when the relevant field reaches a certain point in its production life.

Under Section 34 of the Petroleum Act, the authorities also retain the right to require any company that has

previously been released from a Section 29 notice, or any company that could have been served with a Section 29 notice at any time after the first Section 29 notice was issued, to carry out a decommissioning program, although this is seen as a remedy of last resort. In practice, decommissioning programs will be implemented by the current licensees pursuant to the relevant JOA unless they were all to default, in which case the responsibility would fall to the Section 29 holders and, should they all default, potentially to further entities under Section 34 of the Petroleum Act.

It is also common UKCS industry practice, but not a legal requirement, for joint venturers to enter into field decommissioning security agreements (“DSAs”) whereby the relevant licensees will be obliged to post security for their individual shares of future decommissioning liability when the relevant field reaches a certain point in its production life. Such security will usually take the form of a letter of credit, or, where a licensee’s parent company has a sufficient credit rating, a PCG. Bi-lateral security arrangements may also be entered into between a seller and a purchaser of field participating interests in order to protect the seller against potential future decommissioning liability. Should a company fail to fulfil its decommissioning obligations the relevant security can be called.

#### *5.3.3.9 Summary of the Group’s license portfolio in the North Sea*

By yearend 2019 the Group held 87 licenses in Norway of which 21 were operated. In addition, the Group was awarded participation in 10 licenses in the APA 2019 license round on 14 January 2020, of which two are operated. The Group has diversified production across 13 fields, of which nine are in Norway and four in the UK. In the North Sea DNO participated in 18 wells during 2019, out of which 11 were exploration wells and seven were development and production wells. There is currently no activity related to the Irish and Dutch licenses.

### **5.4 Legal proceedings**

During the normal course of its business, the Company may be involved in disputes and some are currently ongoing. Other than what is described in the Annual Report 2018 – note 17 in the consolidated accounts, see Section 8.4 “Incorporation by reference” in this Registration Document, in the past 12 months, there have been no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware), during a period covering at least the previous 12 months which have been initiated against the Company and which may have, or have had in the recent past, significant effects on the Company and/or Group’s financial position or profitability.

### **5.5 Material contracts**

There are no material contracts that are not entered into in the ordinary course of the Company’s business, which could result in any group member being under an obligation or entitlement that is material to the Company’s ability to meet its obligation to security holders in respect of the securities being issued.

## 6 BOARD OF DIRECTORS, MANAGEMENT AND CORPORATE GOVERNANCE

### 6.1 Introduction

The general meeting is the highest authority of the Company. All shareholders in the Company are entitled to attend and vote at general meetings of the Company.

The overall management of the Group is vested in the Company's board of directors and the Group's executive management. In accordance with Norwegian law, the board of directors is responsible for, among other things, supervising the general and day-to-day management of the Group's business, ensuring proper organization, preparing plans and budgets for the Group's activities, ensuring that the Group's activities, accounts and capital management are subject to adequate controls and undertaking investigations necessary to perform its duties.

The board of directors has four sub-committees: a nomination committee, an audit committee, a remuneration committee and a HSSE committee.

The Managing Director is responsible for the day-to-day supervision of the Group's operations in accordance with Norwegian law and instructions set out by the board of directors. Among other responsibilities, the Group's Managing Director is responsible for keeping the Group's accounts in accordance with prevailing Norwegian legislation and regulations and for managing the Group's assets in a responsible manner. In addition, according to Norwegian law, the Managing Director must brief the board of directors about the Group's activities, financial position and operating results at least once a month.

The Company's articles of association provide that the board of directors shall consist of a minimum of three and a maximum of seven board members. The current board of directors consists of five board members, as listed in the table below.

### 6.2 Board of Directors

The names, positions and current terms of office of the board members as of the date of this Registration Document are set out in the table below.

Name	Position	Served since	Term expires
Bijan Mossavar-Rahmani .....	Executive Chairman	2011	AGM 2021
Lars Arne Takla .....	Deputy Chairman	2012	AGM 2021
Elin Karfjell .....	Board member	2015	AGM 2021
Gunnar Hirsti .....	Board member	2007	AGM 2021
Shelley Watson .....	Board member	2010	AGM 2021

#### Bijan Mossavar-Rahmani (Executive Chairman)

Bijan Mossavar-Rahmani is an experienced oil and gas executive and has served as the Company's Executive Chairman of the Board of Directors since 2011.

Mr. Mossavar-Rahmani serves concurrently as Executive Chairman of Oslo-listed RAK Petroleum plc, the Company's largest shareholder as held through its subsidiary RAK Petroleum Holdings B.V. He is a Trustee of the New York Metropolitan Museum of Art and a member of Harvard University's Global Advisory Council. He has published more than ten books on global energy markets and was decorated Commandeur de l'Ordre National de la Côte d'Ivoire for services to the energy sector of that country. Mr. Mossavar-Rahmani is a graduate of Princeton (AB) and Harvard Universities (MPA). He is a member of the nomination and remuneration committees.

#### Lars Arne Takla (Deputy Chairman)

Lars Arne Takla has extensive experience from various managerial, executive and board positions in the international oil and gas industry.

Mr. Takla has held various managerial positions with ConocoPhillips, including Managing Director and President of the Scandinavian Division. He was Executive Chairman of the Norwegian Energy Company ASA between 2005 and 2011. Mr. Takla was appointed Commander of the Royal Norwegian Order of St. Olav for his strong contribution to the Norwegian petroleum industry. He holds a Master of Science degree in chemical engineering from the Norwegian University of Science and Technology. He was elected to the Company's Board of Directors in 2012 and is a member of the HSSE committee.

#### Elin Karfjell (Director)

Elin Karfjell is CFO of Statsbygg and has held various management positions across a broad range of industries.

Ms. Karfjell has been Managing Partner of Atelika AS and has served as Chief Executive Officer of Fabi Group, Director of Finance and Administration at Atea AS and partner of Ernst & Young AS and Arthur Andersen. Other board directorships include Aker Philadelphia Shipyard, North Energy ASA and Contesto AS. Ms. Karfjell is a state authorized public accountant. She has a Bachelor of Science in Accounting from Oslo and Akershus University College of Applied Sciences and a Higher Auditing degree from the Norwegian School of Economics and Business Administration. Ms. Karfjell was elected to the Company's Board of Directors in 2015 and is a member of the audit committee.

#### **Gunnar Hirsti (Director)**

Gunnar Hirsti has extensive experience from various managerial, executive and board positions in the oil and gas industry as well as the information technology industry in Norway.

Mr. Hirsti was Chief Executive Officer of DSND Subsea ASA (now Subsea 7 S.A.) for a period of six years. He also served as Executive Chairman of the Board of Blom ASA, for eight years. Mr. Hirsti holds a degree in drilling engineering from Tønsberg Maritime Høyskole in Norway. He was elected to the Company's Board of Directors in 2007 and is a member of the audit and remuneration committees.

#### **Shelley Watson (Director)**

Shelley Watson began her career as a reservoir surveillance and facilities engineer with Esso Australia in its offshore Bass Strait operation.

Subsequently she held management positions with Novus Petroleum, Indago Petroleum and RAK Petroleum plc where she served as General Manager until 2014. She was appointed as Chief Operating Officer of RAK Petroleum plc in February 2017 and Chief Financial Officer in May 2017. Ms. Watson holds a First Class Honours degree in chemical engineering and a Bachelor of Commerce degree from the University of Melbourne. She has served on the Company's Board of Directors since 2010 and is a member of the audit committee.

The Company's registered business address, Dokkveien 1, N-0250 Oslo, Norway, serves as the c/o address for the board members in relation to their directorship of the Company.

As of the date hereof and other than described above, no conflict of interest or, to the knowledge of the Company, potential conflict of interest exists between the duties of the members of the Company's Board of Directors to the Company and their private interests and/or other duties.

### **6.3 Management**

The Group's executive management team consists of 11 individuals.

The names of the members of the executive management team as of the date of this Registration Document, and their respective positions, are presented in the table below:

<b>Name</b>	<b>Current position within the Group</b>	<b>Employed with the Group since</b>
Bjørn Dale .....	Managing Director	2011
Chris Spencer.....	Deputy Managing Director	2017
Haakon Sandborg .....	Chief Financial Officer	2001
Ute Quinn .....	Group General Counsel, Corporate Secretary and CCO	2017
Nicholas Whiteley .....	Group Exploration and Subsurface Director	2015
Ørjan Gjerde .....	Group Commercial Director	2017
Tom Allan .....	General Manager KRI	2019
Rune Martinsen .....	General Manager North Sea	2019
Geir Arne Skau.....	Human Resources Director	2019
Aernout van der Gaag.....	Deputy Chief Financial Officer	2017
Tonje Pareli Gormley.....	General Counsel Middle East	2018

#### **Bjørn Dale (Managing Director)**

Mr. Dale joined the Company in 2011 with extensive legal and cross-border transactions and corporate restructuring experience. Mr. Dale holds a Master of Law degree from the University of Oslo and an Executive MBA from the Stockholm School of Economic.

#### **Chris Spencer (Deputy Managing Director)**

Mr. Spencer joined the Company in 2017. Mr. Spencer previously served as the CEO of Rocksource ASA and in

various commercial and technical roles at Royal Dutch Shell and BP. He is a Chartered Engineer with the Institution of Chemical Engineers in the UK.

**Haakon Sandborg (Chief Financial Officer)**

Mr. Sandborg joined the Company in 2001. In addition to his oil and gas experience, he has a background in banking, including positions at DNB Bank. Mr. Sandborg holds a Master of Business Administration from the Norwegian School of Business Administration.

**Ute Quinn (Group General Counsel, Corporate Secretary and Chief Compliance Officer)**

Ms. Quinn joined the Company in 2017. Ms. Quinn previously served as General Counsel of Sakhalin Energy and in various legal executive roles at Royal Dutch Shell and Hess Corporation. She holds a Bachelor of Arts from Vassar College and a law degree from Temple University School of Law.

**Nicholas Whiteley (Group Exploration and Subsurface Director)**

Dr. Whiteley joined the Company in 2015. Dr. Whiteley previously served as General Manager of Exploration at Cairn India. He commenced his career at BP and has a Master of Science degree in Earth Sciences from the University of Cambridge and a PhD from the University of Oxford.

**Ørjan Gjerde (Group Commercial Director)**

Mr. Gjerde joined the Company in 2017. Mr. Gjerde previously served as CFO of Noreco and in management roles at various oil services companies. He is a state authorized public accountant and obtained his Master level degree in Accounting and Auditing from the Norwegian School of Economics.

**Tom Allan (General Manager Kurdistan Region of Iraq)**

Mr. Allan joined the Company in 2019. Mr. Allan previously served as the Chief Operating Officer & Chief Financial Officer of Oilserve Oilfield Services and in various operational and managerial roles at Schlumberger. He holds a BS in Engineering with the Royal Military College of Canada.

**Rune Martinsen (General Manager DNO North Sea)**

Mr. Martinsen joined the Company in 2019. Mr. Martinsen has recently served as Managing Director for Spirit Energy in the UK and Norway, and has held various leadership roles in Noreco and BP. He holds a M.Sc in Reservoir Engineering from the University of Stavanger.

**Geir Arne Skau (Human Resources Director)**

Mr. Skau joined the Company in 2019. Mr. Skau previously served in the Norwegian Armed Forces and in various human resources leadership roles at TechnipFMC. He was educated at the Norwegian Military Academy.

**Aernout van der Gaag (Deputy Chief Financial Officer)**

Mr. Van der Gaag joined the Company in 2017. Mr. Van der Gaag previously served in various finance and business services roles at Talisman Energy and Royal Dutch Shell. He holds a Master of Business Economics from the University of Groningen.

**Tonje Pareli Gormley (General Counsel – Middle East)**

Ms. Gormley joined the Company in 2018 upon secondment as a partner from the law firm Arntzen de Besche. She holds a law degree from the University of Oslo and a diploma in law from the London Metropolitan University.

The Company's registered business address, Dokkveien 1, N-0250 Oslo, Norway, serves as the business address for most members of the management in relation to their employment with the Group. Rune Martinsen's business address is Badehusgata 37, 4014 Stavanger and Tom Allan's business address is Office 1201, Boulevard Plaza 2, Downtown Dubai, United Arab Emirates.

As of the date hereof no conflict of interest or, to the knowledge of the Company, potential conflict of interest exists between the duties of the members of the Company's management to the Company and their private interests and/or other duties. The Managing Director of the Company, Bjørn Dale, is a member of the board of RAK Petroleum plc, the parent of the largest shareholder in the Company.

#### **6.4 Nomination committee**

The Company's articles of association provide for a nomination committee. The current members of the nomination committee are Bijan Mossavar-Rahmani and two external members, Anita Marie Hjerkin Aarnæs and Kåre Tjønneland. The nomination committee's mandate is to propose candidates for the board of directors and its various committees to the annual general meeting. It also proposes the level of board members' remuneration. The

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current composition of the nomination committee will be assessed at the next annual general meeting.

#### **6.5 Audit committee**

The board of directors has established an audit committee composed of three board members. The current members of the audit committee are Gunnar Hirsti (chair), Shelley Watson and Elin Karfjell. The audit committee's mandate includes undertaking quality control of the Company's financial reporting and monitoring internal control and risk evaluation systems.

#### **6.6 Remuneration committee**

The board of directors has established a remuneration committee composed of two board members. The remuneration committee is currently comprised of Bijan Mossavar-Rahmani and Gunnar Hirsti. Its mandate is to consider matters relating to compensation of executive management and to make related recommendations to the board of directors.

#### **6.7 HSSE committee**

The HSSE committee is chaired by Lars Arne Takla. Its mandate is to review the Company's management of operational risks and HSSE performance.

## 7 FINANCIAL INFORMATION

### 7.1 General

The Company has prepared audited consolidated financial statements as of and for the year ended 31 December 2018 in accordance with the International Financial Report Standards ("IFRS") (the "Financial Statements") and unaudited consolidated interim financial statements as of and for the three and 12 months ended 31 December 2019 in accordance with International Accounting Standard ("IAS") 34 (the "Interim Financial Statements"). The Financial Statements and the Interim Financial Statements are incorporated by reference hereto, see Section 8. "Incorporation by reference" in this Registration Document.

In general, the Group is funded by a strong cash flow from its legacy assets in the KRI and by long-term bonds as its main interest-bearing debt funding. The reentry into the North Sea has also provided the Group access to bank financing, represented by the new RBL and EFF facilities the Group established in November 2019. Going forward, the Directors of the Group aim at building the North Sea activities to be self-sustaining based on North Sea petroleum revenues even though field development projects in this region is likely to require significant investments. In the Middle East, the Group has traditionally developed fields in a low cost, fast track manner, aiming at an early production start providing revenues to back up further development. This is likely to be the strategy also in the future.

<i>DNO ASA:</i>	<i>Parent</i>	<i>Group</i>	<i>Group</i>
	<b>2018</b>	<b>2018</b>	<b>Q4 2019/ 2019</b>
	<i>audited</i>	<i>audited</i>	<i>unaudited</i>
Income statement	Page 64	Page 19	Page 7
Balance sheet	Page 64 - 65	Page 20	Page 8
Cash flow statement	Page 66	Page 21	Page 9
Notes	Page 67 - 77	Page 23 - 62	Page 11 - 22
Accounting principles	Page 67	Page 23 - 31	Page 11
Auditors report	Page 78 - 81	Page 78 - 81	-

### 7.2 Auditor

The Company's independent auditor is Ernst & Young AS with registration number 976 389 387, and business address at Dronning Eufemias gate 6, N-0191 Oslo, Norway. Ernst & Young AS is a member of Den Norske Revisorforeningen (The Norwegian Institute of Public Accountants). Ernst & Young has been the Company's independent auditor since 2002. Accordingly, the Financial Statements, incorporated by reference in this Registration Document, have been audited by Ernst & Young AS. The auditor's reports on the Financial Statements are included together with the Financial Statements, as incorporated by reference in this Registration Document. Ernst & Young AS has not audited, reviewed or produced any report on any other information provided in this Registration Document.

### 7.3 Significant change in the Company's financial position

There is no significant change in the financial position of the Group which has occurred since the end of the last financial period for which either audited financial statements or interim financial information have been published.

Since the last financial year, the Group has acquired Faroe, thereby gaining access to bank financing on a considerably larger scale than earlier. Because the assets and production acquired are located in OECD countries, financial institutions are generally more willing to provide bank financing on favorable terms. Even though the RBL and EFF facilities are only available for investment activities within the OECD areas, having this kind of financing reduces the need for higher priced bond financing.

### 7.4 Trend information

There has been no material adverse change in the prospects of the Company since the date of its last published audited financial statements or any significant change in the financial performance of the Group since the end of the last financial period for which financial information has been published up to the date of the Registration Document.

There are no known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Company's prospects for at least the current financial year.



**7.5 Statement of no material adverse change**

There has been no material adverse change in the prospects of the Company since the date of the last audited Financial Statements. And there are no known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Company's prospects for at least the current financial year.

## 8 ADDITIONAL INFORMATION

### 8.1 Summary of disclosed information

All Company announcements are available in the Company's web-site:

<https://www.dno.no/en/investor-relations/announcements/>

In addition, all quarterly and annual reports are available here:

<https://www.dno.no/en/investor-relations/reports-and-presentations/>

The most important announcements during the last 12 months are the following:

06.02.20 : DNO Reports Record Revenues, Production; Steps Up Returns to Shareholders  
 14.01.20 : DNO Receives 10 Awards in Norway's APA Licensing Round  
 14.01.20 : DNO Operations Update: 2.019 Production Climbs 29 Percent on the Back of Acquisitions, Record Drilling  
 15.11.19 : DNO Increases North Sea Financing Facilities  
 15.11.19 : DNO Updates Baeshiqi Testing  
 06.06.19 : DNO Awarded Two New Licences on UK Continental Shelf  
 29.05.19 : DNO Annual General Meeting Held; All Resolutions Passed by Shareholders  
 16.05.19 : DNO Completes USD 400 Million Bond Placement  
 07.05.19 : Registration for the Annual General Meeting 2019  
 07.05.19 : DNO ASA: Notice of Annual General Meeting 2019  
 06.05.19 : DNO to Hold Fixed Income Investor Meetings  
 30.04.19 : DNO Completes Norwegian Asset Swaps with Equinor  
 21.03.19 : Completion of the compulsory acquisition of Faroe Petroleum plc shares by DNO ASA  
 22.02.19 : DNO ASA: Publication of Information Memorandum  
 11.02.19 : DNO Announces 100 Percent Reserves Replacement in 2018  
 07.02.19 : DNO Reports Record Revenues, Expands Norway Footprint  
 04.02.19 : Oslo Børs – DNO02 - Nytt lån til notering / New bond issue to be listed 05.02.2019  
 04.02.19 : Recommended cash offer by DNO ASA for Faroe Petroleum plc – compulsory acquisition of Faroe Shares  
 15.01.19 : DNO Receives 18 Awards in Norway's APA Licensing Round  
 14.01.19 : Offer by DNO for Faroe now unconditional in all respects, intention to de-list from AIM  
 10.01.19 : DNO now owns or has acceptances for 72.80 percent of Faroe  
 09.01.19 : DNO now owns or has acceptances for 52.44 percent of Faroe  
 08.01.19 : Increased and final cash offer for Faroe Petroleum plc by DNO ASA  
 03.01.19 : DNO Hands Over Operatorship of Oman Block 8 Following License Expiry  
 03.01.19 : Mandatory cash offer for Faroe Petroleum plc by DNO ASA  
 03.01.19 : Extension of cash offer for Faroe Petroleum plc  
 20.12.18 : DNO Increases Faroe Petroleum Stake to 29.90 Percent  
 12.12.18 : DNO ASA publishes cash offer for Faroe Petroleum plc  
 05.12.18 : DNO Statement on Faroe/Equinor Norway Asset Swap

Other announcements relate to the reporting of financial results, payment of dividend and buy backs in bonds.

Information regarding "*Mandatory notification of trade*" are available at Oslo Børs' webpage NewsWeb with the ticker DNO:

<https://newsweb.oslobors.no/search?category=1007&issuer=1015&fromDate=&toDate=&market=&messageTitle=>

### 8.2 Documents on display

Copies of the following documents will be available for inspection at the Company's offices at Dokkveien 1, N-0250 Oslo, Norway, during normal business hours from Monday to Friday each week (except public holidays) for a period of 12 months from the date of this Registration Document:

- the up to date memorandum and articles of association of the Company;
- all reports, letters, and other documents, valuations and statements prepared by any expert at the Company's request any part of which is included or referred to in the Registration Document.

### 8.3 Information sourced from third parties and statements regarding competitive position

Any information sourced from third parties contained in this Registration Document has been accurately reproduced and, as far as the Company is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Unless otherwise indicated in the Registration Document, the basis for any statements regarding the Company's competitive position in the future is based on the Company's own assessment and knowledge of the potential market in which it may operate.

**8.4 Incorporation by reference**

The information incorporated by reference in this Registration Document shall be read in connection with the cross-reference list set out below. Except as provided in this Section, no information is incorporated by reference in this Registration Document.

In section 5.4 of this Registration Document, information regarding legal disputes are incorporated by reference to the Company's Annual Report 2018 note 17 in the consolidated accounts.

In section 7 of this Registration Document, the financial information is incorporated by reference to the following:

- Information concerning the Company's 2018 figures is incorporated by reference to the Issuer's [Annual Report 2018](#).
- Information concerning the Company's third quarter interim results is incorporated by reference to the Company's [Third quarter 2019 Interim report](#).

## 9 DEFINITIONS AND GLOSSARY

In this Registration Document, the following terms have the following meanings:

APA	Awards in Predefined Areas.
AED	United Arab Emirates dirham, the lawful currency of the UAE.
ASRR	Annual Statement of Reserves and Resources.
BEIS	UK Department for Business Energy and Industrial Affairs.
boe	Barrels of oil equivalent.
bopd	Barrels of oil per day.
boepd	Barrels of oil equivalent per day.
Brent	Brent Blend, a North Sea light crude oil quality for which a reference oil price is set.
Brexit	The UK vote on 23 June 2016 to leave the UK.
Bonds	DNO ASA 8.375 percent senior unsecured callable USD 400,000,000 bond issue 2019/2024.
Company	DNO ASA.
CWI	Company working interest.
DNO Iraq	DNO Iraq AS.
DNO Norge	DNO Norge AS.
DNO Oman	DNO Oman Block 8 Limited.
DSA	Decommissioning security agreement.
EEA Agreement	The European Economic Area Agreement.
EFF	Exploration financing facility with an aggregate commitment limit of NOK 1,000 million.
ESA	The EFTA Surveillance Authority.
EPSA	The exploration and Production Sharing Agreement in Oman.
EU	The European Union.
EUR	Euros, the lawful currency of the European Union.
E&P	Exploration and production.
Faroe	Faroe Petroleum plc (now DNO North Sea plc).
FGI	Federal Government of Iraq.
Financial Statements	Financial statements the year ended 31 December 2018.
GBP	Pound sterling, the lawful currency of the UK.
Genel	Genel Energy plc.
Group	The Company together with its subsidiaries.
HSFO	High-sulfur fuel oil.
HSSE	Health, safety, security and environment.
IAS	International Accounting Standard.
IFRS	International Financial Report Standards.
Interim Financial Statements	Unaudited consolidated interim financial statements as of and for the three and nine months ended 30 September 2019.
IQD	Iraqi dinar, the lawful currency of Iraq.
JOA	Joint Operating Agreement.
KRG	Kurdistan Regional Government.
KRI	Kurdistan region of Iraq.
Licenses	E&P licenses and PCAs/PSAs.
MMboe	Million barrels of oil equivalent.
MMbbls	Million barrels of oil.
MOF	Norwegian Ministry of Finance.
MPE	Norwegian Ministry of Petroleum and Energy.
NE	Net entitlement.
Norwegian FSA.	The Financial Supervisory Authority of Norway.
NCS	Norwegian Continental Shelf.
NOK	Norwegian kroner, the lawful currency of Norway.
NPA	Norwegian Petroleum Act.

NPD	Norwegian Petroleum Directorate.
Norwegian Public Limited Liability Companies Act	The Norwegian Public Limited Companies Act of 13 June 1997 no. 45 ( <i>allmennaksjeloven</i> ).
OGA	UK Oil and Gas Authority.
OOCEP	Oman Oil Company Exploration and Production LLC.
OPRED	UK Offshore Petroleum Regulator for Environment & Decommissioning.
Orgio	Origo Exploration Holding AS.
Oslo Stock Exchange	The Oslo Stock Exchange, a stock exchange operated by Oslo Børs ASA.
PCG	Parent Company Guarantee.
PDO	Plan for development and operation.
PIO	Plan for instalment and operation.
PRMS	The Petroleum Resources Management System.
Prospectus	The Registration Document, Securities Note and Summary.
Proven (1P) Reserves	Means, in accordance with PRMS, those quantities of petroleum 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. If deterministic methods are used, the term reasonable certainty is intended to express a high degree of confidence that the quantities will be recovered. If probabilistic methods are used, there should be at least a 90 percent probability that the quantities actually recovered will equal or exceed the estimate.
Probable (2P) Reserves	Means, in accordance with PRMS, those additional reserves which analysis of geoscience and engineering data indicate are less likely to be recovered than proven reserves but more certain to be recovered than possible reserves. It is equally likely that actual remaining quantities recovered will be greater than or less than the sum of the estimated proven plus probable reserves ("2P"). In this context, when probabilistic methods are used, there should be at least a 50 percent probability that the quantities actually recovered will equal or exceed the 2P estimate. 2P reserves include but are not limited to 1P reserves.
Possible (3P) Reserves	Means, in accordance with PRMS, those additional reserves which analysis of geoscience and engineering data suggests are less likely to be recoverable than probable reserves. The total quantities ultimately recovered from the project have a low probability to exceed the sum of proven plus probable plus possible reserves ("3P"), which is equivalent to the high estimate scenario. In this context, when probabilistic methods are used, there should be at least a 10 percent probability that the actual quantities recovered will equal or exceed the 3P estimate. 3P reserves include but are not limited to 2P reserves.
PSC/PSA	Production Sharing Contracts/Agreements. A PSC or PSA is used interchangeably as an agreement between a contractor and a host government, whereby the contractor bears all risk and costs for exploration, development and production in return for a stipulated share of production.
RBL	Reserve-based lending facility of USD 350 million.
Registration Document	This registration document dated 27 <sup>th</sup> February 2020.
RSA	Receivables Settlement Agreement.
R/P	Reserve Life Index.
Securities Note	Document to be prepared for each new issue of bonds under the Prospectus.
Summary	Document to be prepared for each new issue of bonds under the Prospectus if applicable.
UK	The United Kingdom.
UKCS.	United Kingdom Continental Shelf.
U.S. Securities Act	U.S. Securities Act of 1933, as amended.
USD	United States dollar, the lawful currency of the United States.
YER	Yemeni rial, the lawful currency of Yemen.