# Registration Document

DNO ASA

Date: 4th February 2019

Lead Manager:

Co-Managers:

# IMPORTANT INFORMATION

This registration document (the "Registration Document") has been prepared by DNO ASA (the "Company", together with its subsidiaries, the "Group" or "DNO") solely in connection with the listing on the Oslo Stock Exchange, a stock exchange operated by Oslo Børs ASA (the "Oslo Stock Exchange"), of the "8.75 percent DNO ASA Senior Unsecured Callable Bond Issue 2018/2023" (the "Bonds") issued pursuant to the bond agreement dated 31 May 2018 (the "Bond Terms") between the Company and Nordic Trustee AS (the "Bond Trustee"). This Registration Document together with the relevant securities note dated 4th February 2019 (the "Securities Note") and the summary dated 4th February 2019 (the "Summary") constitute a prospectus. The Financial Supervisory Authority of Norway (*Finanstilsynet*) (the "NFSA") has reviewed and approved this Registration Document in accordance with Sections 7-7 and 7-8 of the Norwegian Securities Trading Act of 29 June 2007 no. 75. The Registration Document was approved by the NFSA on 4th February 2019. The NFSA has not checked or approved the accuracy or completeness of the information included in this Registration Document. The approval by the NFSA only relates to the information included in accordance with pre-defined disclosure requirements. The NFSA has not conducted any form of review or approval relating to corporate matters described in or referred to in this Registration Document.

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

The information contained herein is current as at 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 as 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 as to legal, credit, business or tax advice. 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.

Pareto Securities AS has assisted the Company in preparing this Registration Document. Pareto has not verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and Pareto expressly disclaims any legal or financial liability as to the accuracy or completeness of the information contained in this Registration Document or any other information supplied in connection with the issuance or distribution of the Bonds. Each person receiving this Registration Document acknowledges that such person has not relied on Pareto, nor on any person affiliated with Pareto in connection with its investigation of the accuracy of such information or its investment decision.

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

An investment in the Bonds involves inherent risk. Before making an investment decision with respect to the Bonds, investors should carefully consider the risk factors and all information contained in this Registration Document and the Securities Note, including the financial statements and related notes. The risks and uncertainties described in this Section 1, "Risk factors", including those described in the Securities Note, are the known risks and uncertainties faced by the Group as of the date hereof that the Company believes are the material risks relevant to an investment in the Bonds. An investment in the Bonds is suitable only for investors who understand the risks associated with this type of investment and who can afford to lose all or part of their investment. The absence of negative past experience associated with a given risk factor does not mean that the risks and uncertainties described herein or in the Securities Note should not be considered prior to making an investment decision in respect of the Bonds. If any of the following risks or the risks included in the Securities Note were to materialize, individually or together with other circumstances, they could have a material and adverse effect on the Group and/or its business, financial condition, results of operations, cash flows and/or prospects, which could cause a decline in the value and trading price of the Bonds, resulting in the loss of all or part of an investment in the same.

The order in which the risks are presented does not reflect the likelihood of their occurrence or the magnitude of their potential impact. The information in this Section 1, "Risk factors" is as of the date of this Registration Document.

Factors which the Company believes may be material for the purpose of assessing the market risks associated with the Bonds are set out in the Securities Note.

## 1.1 Risks relating to the oil and gas industry

**Substantial or extended volatility in oil prices may adversely affect the Group's profitability, reserves or net income**

The Group's future revenues, cash flows, profitability and rate of growth depend substantially on prevailing international oil prices and realized sales prices (adjusted for quality and transportation differentials). Given that oil is globally traded, the Group is unable to control the prices it receives for the oil it produces.

Historically, oil prices have been highly volatile and subject to wide fluctuations for many reasons, including, but not limited to:

- changes in global and regional supply and demand, and expectations regarding future supply and demand for oil, even when such changes are relatively minor;
- geopolitical uncertainty;
- availability of pipelines, tankers and other transportation and processing facilities;
- proximity to, and the capacity and cost of transportation;
- oil refining capacity;
- price, availability and government subsidies of alternative fuels;
- price and availability of new technologies;
- decisions of the members of the Organization of the Petroleum Exporting Countries ("OPEC") and other oil-producing nations to set and maintain specified levels of production and prices;
- political, economic and military developments in producing regions, particularly the Middle East, Russia, Africa and Latin America, and domestic and foreign governmental regulations and actions, including import and export restrictions, taxes, repatriations and nationalizations;
- global and regional economic conditions;
- trading activities by market participants and others either seeking to secure access to hydrocarbons or to hedge against commercial risks, or as part of investment portfolio activity;
- weather conditions and natural disasters; and
- terrorism or the threat of terrorism, war or threat of war, and civil unrest which may affect supply, transportation or demand for oil and refined products.

It is not possible to accurately predict future oil price movements. The Group's profitability is determined in large part by the difference between the income received from the oil the Group produces and its operational costs, taxation costs relating to extraction (which are assessable irrespective of sales) and costs incurred in transporting and selling its oil. Therefore, lower oil prices may reduce the quantities of oil the Group is able to produce economically or may reduce the economic viability of the production levels of specific wells or projects planned or in development. A decline in future oil prices may accordingly reduce the Group's reserves and net income.

Further, under International Financial Reporting Standards ("IFRS") as adopted by the European Union (the "EU"), the carrying amount of the capitalized exploration and evaluation expenditures, development expenditure on the construction, installation or completion of infrastructure facilities such as platforms, pipelines and the drilling of production wells may not exceed their recoverable amount, which is based, in part, upon estimated future net cash flows from oil reserves. If the carrying amount of such capitalized costs exceed this limit, the Group must charge the amount of the excess against earnings. If oil prices decline, the Group's net capitalized costs may approach or exceed their recoverable amount, resulting in a charge against earnings.

**Volatility in global financial markets and other macroeconomic factors may adversely affect the Group's revenues and growth strategy**

Deterioration in the global economic environment could have a material adverse effect on the Group's business, results of operations and financial condition, particularly to the extent it impacts the price of oil or affects the Group's ability to access the capital markets or obtain credit for future funding on commercially acceptable terms.

Uncertainty in the global financial markets and the potential impact on the liquidity of major financial institutions and host countries may have a material adverse effect on the Group's cost of funding and the conditions under which funding is obtained. General economic conditions and geopolitical turmoil could have a material adverse effect on the Group's business, results of operations, financial conditions or prospects.

Oil prices are also affected by global demand, particularly in the United States, Europe and Asia (notably China and India). Changes in the global economic climate could result in lower demand and lower oil prices, which could adversely affect the Group's revenues and cash flows. In addition, factors such as trade restrictions, sanctions, embargoes, boycotts, trade measures, and exchange controls, including currency controls and limitations on the repatriation of funds from operations, could have a material adverse effect on the Group's business, results of operations, financial conditions or prospects.

If the global economy experiences a downturn, the Group's ability to maintain its revenues and implement its strategy for growth and development may be adversely affected, which could materially and adversely affect the Group and its business, financial condition, results of operations, cash flows and prospects.

**Oil and gas exploration and production are inherently uncertain in their outcome and do not necessarily result in a return on investment or recovery of cost**

Oil and gas exploration and production ("E&P") activities are capital intensive and inherently uncertain in their outcome. The Group's existing and future oil and gas exploration and appraisal activities may involve unprofitable efforts, either from dry wells or from wells that are productive but do not result in sufficient net revenues to return a profit after development, operating and other costs.

Any inability of the Group to recover its costs and generate profits from its E&P activities could have a material adverse effect on the Group's business, results of operations, financial conditions or prospects.

**Exploration and production operations involve numerous operational risks and hazards which may result in material losses or additional expenditures**

E&P activities are inherently risky and hazardous. Risks typically associated with these operations include unexpected geological variations and drilling conditions, formations or pressures, premature decline of reservoirs and technical problems with equipment, any of which may result in operational difficulties. Hazards typically associated with these operations include the release of hydrogen sulfide gas during flaring, fires, explosions and blowouts, any of which could result in substantial damage to oil and gas wells, production facilities and other property, the environment, as well as harm to persons involved in such operations. Drilling operations are also vulnerable to natural disasters, including earthquakes, droughts, floods, fires and storms, all of which are outside the Group's control. Oil and gas installations can be exposed to, and even be targets of military operations and terrorism. E&P operations are also subject to risks relating to transportation infrastructure, including pipeline failures and problems with tankers, and hydrocarbon processing, including bottlenecking and other problems associated with refinery operations. Such problems, either in relation to the Group's facilities and operations or those of other operators, could result in unexpected shutdowns, significant losses and expenditures. The materialization of any of the above risks, hazards or natural disasters could result in unexpected shutdowns, significant losses and expenditures, and could in turn have a material adverse effect on the Group's business, results of operations, financial conditions or prospects.

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

Exchange rate fluctuations and currency devaluations could have a material adverse effect on the Group's results of operations. The Group's revenues are received in US dollars (USD); its operational costs are primarily in USD, but also Norwegian kroner (NOK), British pound (GBP), Iraqi dinar (IQD), Yemeni rial (YER) and the United Arab Emirates dirham (AED). The Company's reporting currency is USD. Inflation in the countries in which the Group operates could cause the Group's operating costs to rise, which could have an adverse effect on the Group's business, results of operations, financial conditions or prospects.

**The Group operates in a competitive industry**

Given that the oil and gas industry is a competitive business in all phases, the Group's ability to increase reserves in the future will depend not only on its ability to exploit and develop its present assets but also on its ability to select and acquire suitable producing assets or prospects for appraisal or exploratory drilling and to fund the exploration, appraisal and development of such assets. The Group competes with numerous other participants in the search for, and the acquisition of, oil and gas assets, in the marketing of oil and gas and in the access to equity and debt funding. The Group's competitors include major international oil and gas companies that may have substantially greater financial and technical resources, staff and facilities than those of the Group. These companies have strong market power as a result of several factors, including the diversification and reduction of risk, financial resources facilitating major capital expenditure, exploitation of economies of scale in technology and organization, broad technical experience, established infrastructure, robust reserve bases and brand recognition. The Group's competitors also include companies with a profile similar to its own, which will aim to attract and divert equity or debt investors from the Company. Due to this competitive environment, the Group may be unable to acquire attractive, suitable assets or prospects on terms that it considers acceptable or to fund its operations. As a result, the Group's revenues may decline over time, thereby materially and adversely affecting its business, results of operations, financial conditions or prospects.

## 1.2 Risks related to the Group's operations

**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/agreements ("PSCs/PSAs") and exploration and production licenses (together "licenses") from 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 cannot be assured.

The Group may face significant financial penalties, claims or have its existing and future licenses suspended, terminated or revoked if it fails to fulfill the specific terms of any of its licenses or if it operates its business in a manner that violates applicable laws or regulations, which could result in increased costs, reputational harm and adverse changes to the Group's strategy.

Even where the Group is acting in compliance with the terms of its licenses and all applicable laws and regulations, its licenses could be revoked, materially altered, or successfully challenged or impugned by counterparties or third parties. Furthermore, some of the Group's production licenses may expire before the end of what the Group estimates to be the productive life of its licensed fields. There can also be no assurance that the Group's existing licenses will be renewed or that any applications for additional licenses or extensions will be granted at all or on terms and within a timeframe satisfactory to the Group.

Although the Company believes its licenses are valid and the consents necessary for its operations have been obtained, the Company also operates in jurisdictions with unpredictable legislative, regulatory and judicial environments and there can be no assurance that the Group would not have difficulty enforcing rights under its licenses or defending claims of invalidity or 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 could have a material adverse effect on the Group's business, results of operations, financial conditions or prospects.

**The Group may be unable to bring its licenses from exploration to development and production**

The ability of the Group to initiate production following a discovery can depend on its ability to bring its licenses from an exploration phase to a development and production phase. Any inability of the Group to move from exploration to development and production at all or in a timeframe that is satisfactory to the Group could delay or prevent production activities and the successful execution of the Group's development strategy, which would limit future revenues and could have a material adverse effect on the Group's expected return on investment.

Typically licenses grant rights to explore for hydrocarbons within defined areas and they provide for certain commitments (such as exploration and drilling commitments) on the part of oil companies which have to be completed within specified timeframes. The Group may be unable to meet the specified deadlines for commitments set out in its licenses in the exploration phase and may be unable to secure an amendment or extension of such licenses, which could result in premature termination, expiration, suspension or withdrawal of any of the Group's licenses.

From time to time, the Group must also maintain, extend and obtain other permits and authorizations in addition to its licenses. These may include land use and access permits; approvals of design and feasibility studies, pilot production projects and development plans; and permits for the construction of facilities. If the Group fails to receive any such permits or authorizations in the future – or current permits or authorizations are terminated or not renewed – the Group may have to delay or cancel its investment and development programs.

Any of the above factors could materially adversely affect the Group's business, results of operations, financial conditions or prospects.

**Health, safety and environmental laws and regulations may expose the Group to significant liabilities and increased compliance costs, litigation, interruptions to operations, unforeseen environmental remediation expenses and loss of reputation**

The Group's operations are subject to rules established internationally, nationally and regionally. Health, safety and environmental ("HSE") laws and regulations 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. The Group can also be subject to decommissioning obligations of facilities, plugging and abandonment of wells, site restoration and clean-up in relevant areas when it ceases operations. The technical requirements of these HSE laws and regulations are complex, stringently enforced and result in significant compliance costs.

Together with other participants in the oil and gas industry, the Group is subject to laws and regulations in relation to the emission of greenhouse gases such as carbon dioxide, methane and nitrous oxide. Such emissions legislation is designed to reduce the emission of greenhouse gases and other harmful substances. Future legislative initiatives may be designed to further reduce emission of greenhouse gases and other harmful substances. Compliance with existing or future emissions legislation could impact oil prices and the Group's ability to market its oil and gas and could involve significant costs to the Group. These factors may accordingly have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

Certain HSE 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 exploration and production activities. Such laws and regulations may expose the Group to liabilities for the conduct of others or for its own conduct.

In connection with HSE laws and regulations, the Group may incur substantial future expenditures to modify operations, upgrade employee and contractor accommodation and other infrastructure, install pollution control equipment, perform clean-up operations, curtail or cease certain operations, and make payments for breaches of environmental, health and safety requirements.

Future changes in HSE laws and regulations, stricter enforcement or new interpretations of existing laws and regulations, discovery of previously unknown contaminations or community expectations governing the Group's operations could have a significant impact on the Group's compliance and remediation costs.

The Group's primary operational HSE risks are those inherent in the oil and gas industry generally. In addition, some of the jurisdictions in which the Group operates do not have a developed infrastructure for waste management, which may lead to increased risk of pollution to the surrounding environment.

Any failure by the Group to comply with HSE 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 HSE compliance or claims that could result in reputational damage, industrial action or difficulty in recruiting and retaining skilled employees.

Any of the factors above could have a material adverse effect on the Group's business, results of operations, financial conditions or prospects.

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

The Group may 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 could have a material adverse effect on the Group’s business, results of operations, financial conditions or prospects.

**Recovery, reserve and resource data in this Registration Document are only estimates and may prove incorrect or inaccurate**

All estimates of oil and gas reserves and resources, and the future net cash flows expected, involve uncertainty. 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 prices; and changes in government regulations, 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 there may be a material adverse effect on the business, prospects, financial condition or results of operations of the Group.

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

Under the Petroleum Resources Management System (“PRMS”), contingent resources are those deposits that are estimated, on a given date, to be potentially recoverable from known accumulations but that are not currently considered to be commercially recoverable. Prospective resources are those deposits that are estimated, on a given date, to be potentially recoverable from accumulations yet to be discovered. The probability that contingent and prospective resources will be discovered, or be economically recoverable, is considerably lower than that for proven, probable and possible reserves. Volumes and values associated with contingent and prospective resources should be considered to be highly uncertain. The Group's estimates of its contingent and prospective resources are uncertain and can change with time, and there can be no guarantee that the Group will be able to develop these resources commercially. If the Group is unable to commercially develop its contingent and prospective resources, this could have a material adverse effect on the Group’s business, results of operations, financial conditions 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 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 and require the Group to make provisions for and/or underwrite the liabilities relating to such decommissioning.

Although the Group's accounts make provisions for such decommissioning costs, 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.

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

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

The Group has previously been party to disputes and litigations, some of which are currently ongoing. The Group may also in the future become involved in litigation matters or disputes from time to time. 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 be required to incur significant expenses or devote significant resources to defending itself in such disputes. These expenses, potential reputational harm arising from any such dispute, as well as financial penalties or the loss of key personnel that could result from any such dispute could have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

**Oil and gas exploration and production are capital intensive and the Group must make significant capital expenditures in order to increase its production levels and improve overall efficiency**

The Group's exploration, development and production operations require significant capital expenditures. Capital expenditures may include, among other things, the drilling of wells, the construction and improvement of infrastructure, and investments in production technology in an effort to improve access, reduce operating expenses and enhance profit margins. In 2017, the Group incurred acquisition and development costs of USD 130.4 million, up from USD 36.4 million in 2016. In addition, the Group will incur costs to meet its obligations under environmental laws and regulations, including costs for decommissioning (including plugging and abandonment of wells), site restoration and clean-up when operations cease. The Group intends to fund planned capital expenditures from cash balances, financing and cash flow from operations. However, the Group may not be able to generate sufficient funds to meet future capital expenditure requirements in the longer term or to do so at a reasonable cost.

The Group's ability to arrange future financing, and the cost of financing generally, depends on many factors, including, economic and capital markets 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.

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.

Any inability of the Group to procure sufficient financing for capital expenditures could adversely affect its ability to expand its business and meet its production targets, and could result in the Group facing unexpected costs and delays in relation to the implementation of its project development plans and could adversely affect the Group's ability to maintain its production at current levels. This could have a material adverse effect on the Group's business, results of operations, financial conditions or prospects.

**The Group relies on the services of independent third-party contractors, the quality and availability of which cannot be assured**

The Group relies on external independent contractors to carry out various operational tasks in its exploration and production 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.

The Group relies on the availability of independent contractors performing satisfactorily and fulfilling their obligations. The provision of services and maintenance by external contractors is outside the Group's control. Any failure by an independent contractor may lead to delays or curtailment of the production, transportation and delivery of the Group's oil and gas. In addition, the costs of third party operators may fluctuate, leading to changes in production and transportation expenses for the Group. Any dispute with, or failure in performance by, third party service providers, external contractors or consultants, and associated increases in operating costs or inability on the part of the Group to find adequate replacement services on a timely basis, if at all, could result in delays or curtailment of the production, transportation and delivery of the Group's hydrocarbons, which in turn could have a material adverse effect on the Group's business, results of operations, financial conditions or prospects.

**The Group could suffer unexpected costs or other losses if its partners and counterparties do not perform or comply with license terms and applicable regulations**

The Group may suffer unexpected costs or other losses if any counterparty to any contractual arrangements entered into by the Group does not meet its obligations under such arrangements. In particular, the Group cannot control the acts or omissions of its partners under the various licenses. The Group is jointly and severally liable for the obligations of former and current partners under the licenses. If such partners breach the terms of the licenses or any other contractual arrangements relating to their interests, the Group may be liable for such breach and it could cause the relevant host country authority to revoke, terminate, suspend or adversely amend the Group's licenses, which could in turn have a material adverse effect on the business, results of operations, financial conditions or prospects of the Group. Where the Group is not the operator of an asset, it will have consultation rights in relation to significant or operational matters, but it will not have full control over day-to-day operational management other than duties to "see-to-it" in Norway. Both mismanagement of an asset by the operator or, in the case of assets where a DNO subsidiary is the operator, a failure on the part of the Group's partners in the license to cooperate in the operation of the asset may result in significant delays, losses or increased costs to the Group. Any such mismanagement or cooperation failures could have a material adverse effect on the Group's business, results of operations, financial conditions or prospects.

**The Group may not be able to carry insurance in respect of every risk that could have a material impact on its operations**

Although the Group carries insurance in accordance with industry standards to cover certain of the risks and hazards described in the above risk factors, insurance is subject to conditions and limitations on liability and, as a result, may not be sufficient to cover all of the Group's potential losses. In addition, the risks or hazards associated with the Group's operations may not, in all circumstances, be insurable, and in certain circumstances the Group may elect not to obtain insurance to deal with specific events due to the high premiums associated with such insurance or for other reasons. The Group's business interruption insurance is limited in time and the Group may suffer losses as a result of a shut-in or cessation in production. The occurrence of a significant event against which the Group is not fully insured, or the insolvency of the insurer of such event, could have a material adverse effect on the Group's business, results of operations, financial conditions or prospects.

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

The Group's ability to sell the oil it produces will be affected by numerous factors beyond its control, such as market fluctuations, the availability of international markets and the availability of processing and refining facilities and transportation infrastructure, including access to ports, shipping facilities, pipelines and pipeline capacity. 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, could have a material adverse effect on the Group's business, results of operations, financial conditions or prospects. There is also a risk that the Group does not get paid for its deliveries.

The ability to export oil may depend on obtaining licenses and export volumes, the granting of which is at the discretion of the relevant regulatory authorities. Furthermore, there can be no assurance that the Group will be paid its full entitlement for export sales. Difficulties that the Group could face in marketing or exporting its hydrocarbons could have a material adverse effect on the Group's business, results of operations, financial conditions or prospects.

**The Group's operations and development projects could be adversely affected by shortages of key inputs**

The Group may be unable to obtain, in a timely manner and at a reasonable cost, drilling and processing equipment, raw materials and strategic consumables that are key inputs for its business. Availability of key inputs is limited and, particularly in periods of high demand within the industry, the Group may be unable to secure key inputs at a reasonable cost and in a timeframe that allows it to meet its contractual and other obligations and operational timetable.

The Group contracts or leases various services and equipment from third party providers and suppliers. Such equipment and services may be scarce and may not be readily available at the times and places required by the Group. Even in a situation where the Group has secured rigs under a contract, the rigs will usually only be available for use after the current user has finished its drilling program. If there are delays in the completion of the user's drilling program, the Group could be delayed in procuring contracted rigs. Under the terms of its licenses, the

Group may have a commitment to drill within a certain timeframe. The Group therefore risks losing its licenses if it is delayed in obtaining rigs and meeting its drilling commitments. Shortages or changes in the costs of drilling rigs, equipment, supplies, personnel or oilfield services could delay or adversely affect the Group's exploration, development and production operations, which could have a material adverse effect on the Group's business, results of operations, financial conditions or prospects.

**The Group's success depends on its ability to appraise, acquire, explore and develop hydrocarbon reserves that are economically recoverable**

The Group's long-term commercial success depends on its ability to acquire, explore, appraise and develop commercially productive hydrocarbon reserves. There are many reasons why the Group may not be able to find or acquire hydrocarbon reserves or to develop them for commercially viable production. For example, the Group may be unable to negotiate commercially reasonable terms for its acquisition, exploration, appraisal, development or production activities. Factors such as adverse weather conditions, natural disasters, equipment or services shortages, procurement delays or difficulties arising from political, environmental and other conditions in the areas where the Group's assets and licenses are located, or through which the Group's products are transported, may also increase costs and make it uneconomical to develop potential reserves. Furthermore, the Group's exploration activities require the coordination of a number of activities, including obtaining seismic data, governmental and co-venturer approvals and securing rig capacity for drilling, resulting in long lead times and the potential for missed exploration opportunities. Under the majority of the Group's joint operating agreements, the Group's participating interest is such that the Group would need the approval of at least one other co-venturer to make majority decisions.

Without successful acquisition, exploration, appraisal, development and production activities, the Group's reserves, production and revenues will decline. The Group might not discover, acquire or develop further commercial quantities of hydrocarbons, which could have a material adverse effect on the Group's business, results of operations, financial conditions or prospects.

**The Group may not realize the anticipated benefits of and 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. Furthermore, due to the limited information available prior to an auction of licenses or any acquisition, it may not be possible to correctly assess the true value of the license or asset to be acquired.

Particular challenges that the Group may face in connection with future acquisitions include complications with consolidating corporate and administrative infrastructures, including information technology, communications and other systems, difficulties with retaining key personnel and employees, diversion of management’s attention and resources from on-going business concerns, attempts by third parties to terminate or alter their contracts with the Group, difficulties in mitigating contingent and assumed liabilities.

Any of the above challenges associated with a future acquisition could have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

**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 exploration and development, operations, engineering, business development, hydrocarbons marketing, finance and accounting. The loss of the services of any key personnel could have a material adverse effect on the Group.

The Group does not maintain, nor does it plan to obtain, any key person insurance. In addition, the competition for qualified personnel in the hydrocarbons industry 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 could have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

**The Group must comply with various laws and regulations regarding anti-corruption and anti-bribery and with international sanctions regimes**

The Group is subject to various laws and regulations relating to anti-corruption, including provisions of the Norwegian Criminal Act of 20 May 2005, which 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. The Norwegian provisions on anti- corruption apply to actions taken on behalf of the Company and its Norwegian subsidiaries regardless of the jurisdiction in which such actions are carried out, and the Group may thus become liable for a breach of the Norwegian anti-corruption provisions even if such breach occurred in jurisdictions outside of Norway. The Group must also comply with sanctions regimes established or adopted through the Norwegian Sanctions Act of 27 April 2014, including regimes established by the United Nations Security Council and the EU. 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 work effectively all of the time or protect the Group against liability for actions taken by its employees or other parties 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), it may be subject to criminal and civil penalties and other remedial measures, which could have a material adverse effect on the Group's business, results of operations, financial conditions or prospects. Any investigation into the Group of potential violations of these laws, regulations and sanctions regimes could also have a material adverse effect on the Group's business, results of operations, financial conditions or prospects. Furthermore, any remediation measures taken in response to such 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 materially adversely affect its business, results of operations, financial conditions or prospects.

**The Group is exposed to counterparty risk**

There is always a risk that the Group's customers or counterparties to financial instruments held by the Group will fail to meet their contractual obligations. Any such failure could materially adversely affect the Group's business, results of operations, financial conditions or prospects.

**The Group is exposed to financial guarantee risk**

As part of governmental or joint venture partner approval conditions in the course of new or changed business opportunities, the Group may have had to provide financial comfort through the issuance of parent company guarantees by the Company. There is always a risk that a parent company guarantee may be called for alleged defaults in approval conditions or performance. Any such failure could materially adversely affect the Group's business, results of operations, financial conditions or prospects.

**A default or acceleration of repayment of debt may have a material adverse effect on the Group's business, results of operations, financial conditions or prospects**

The Company has outstanding unsecured debt in the form of bonds totaling USD 600 million. Bond loan defaults, unless remedied by the Company or waived by bondholders, could lead to acceleration and demands for repayment of the outstanding bond loans. In the event of a default or acceleration of repayment of debt, there can be no guarantee that the Group would be able to successfully refinance its debt, make payments from cash balances, or generate new cash from asset divestments or new equity placements, which could in turn materially adversely affect the Group's business, results of operations, financial conditions or prospects.

## 1.3 Risks related to the Group's operations in the Middle East

Although the Group re-entered into the North Sea (Norway and UK) through the acquisition of Origo Exploration Holding AS in 2017, the Group's producing assets and related operations are still predominantly located in the Middle East region, namely in the Kurdistan region of Iraq ("Kurdistan"). In addition to the operational and other risks associated with E&P operations in the oil and gas industry generally, the Group is subject to risks specifically relating to its operations in the Middle East region. Some of these risks relate to the political, social and economic instability that characterizes the region at this time.

### *1.3.1 Risks relating to the Group's operations in the Middle East region generally*

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

Parts of the Middle East region are currently prone to political, social and economic instability. 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 to obtain or maintain effective security arrangements for any of its assets or personnel in these regions. There can also be no assurances that the governments of the regions where the Group operates will be able to provide the necessary degree of peace, order, stability and security 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.

There can be no guarantee that any of the countries in which the Group operates will not face renewed, prolonged or heightened political, social or economic instability, economic or other sanctions imposed by other countries or international bodies, terrorism, civil wars, border disputes, guerrilla activities, military repression, civil disorder, crime, fluctuations in currency exchange rates or high inflation.

The materialization of the risks above could have a material adverse effect on the Group's business, results of operations, financial conditions 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 arbitration awards**

Some of the jurisdictions in which the Group operates, for example in Kurdistan, have less developed legal systems than those typically seen in established economies, for example in Norway. It may be difficult to interpret the applicable laws and regulations in these jurisdictions 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. Risks associated with the Group's operations in these jurisdictions include:

- the risk that it may be difficult to obtain effective legal redress in court, whether in respect of a breach of law or regulation, or in an ownership or title dispute;
- the risk that it will be difficult to enforce international arbitral judgments, in particular when they are against the local authorities;
- the risk that its operations may be affected by a high degree of discretion or corruption on the part of the governmental or judicial authorities;
- the risk that a lack of judicial or administrative guidance on interpreting local laws and regulations may make it difficult for the Group to guarantee its compliance with such laws and regulations;
- the risk that there may be inconsistencies or conflicts between and within various laws, regulations, decrees, orders, resolutions and judgments; and
- the risk that judicial or administrative authorities may be relatively inexperienced in adjudicating or regulating matters relating to the Group's exploration and production operations.

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

*1.3.2 Risk relating to the Group's operations in Kurdistan*

As a result of the historical and legal position of the Kurdistan region of Iraq, and the relationships of the Kurdistan Regional Government ("KRG") with the Federal Government of Iraq ("FGI") and with neighboring countries such as Turkey, the Group and other international E&P companies operating in Kurdistan 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 Kurdistan**

Although DNO has good title to its licenses in Kurdistan, 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 hydrocarbons law or otherwise) attempt to revoke or materially alter the PSCs held by the Group in Kurdistan, it could disrupt or halt the Group’s operations in Kurdistan, lead to administrative fines or penalties, subject the group to contractual damages or delay or prevent the Group’s execution of its strategy, any one of which could have a material adverse effect on the Group's business, results of operations, financial conditions 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 Kurdistan**

Historically, as a result of disagreements between the FGI and the KRG, economic conditions in Kurdistan and limited available export channels, DNO has faced constraints in fully monetizing the oil it produces in Kurdistan.

There is no guarantee that oil can be exported in sufficient quantities or at prices required to sustain its operations (at profitable levels or at all) and investment plans or that DNO will promptly receive its full entitlement payments for the oil it delivers for export. Any of these risks could result in a loss of revenue and could have a material adverse effect on the Group's business, results of operations, financial conditions or prospects.

The Group generates revenues in Kurdistan 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. However, the Group has received regular export monthly payments from the KRG since late 2015 and revenues from Tawke license production are now in line with the terms of the PSC. On 24 August 2017, DNO and the KRG completed a settlement of all outstanding receivables owed to DNO for past oil deliveries. The settlement had an effective date of 1 August 2017.

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 Resource's 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 prices. Any limitation on the Group's ability to sell oil and refined products on the local market at adequate prices could have a material adverse effect on the Group's business, results of operations, financial conditions or prospects.

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

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

**The Group's PSC accounts 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 PSC accounts are subject to audit by regulatory authorities in the respective host countries. In Kurdistan, 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. It is not known if or when the audit will recommence. As part of the August 2017 Receivables Settlement Agreement pertaining to the Tawke PSC, 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 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 could materially adversely affect the Group's business, results of operations, financial conditions or prospects.

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

There is a risk that Kurdistan 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 Kurdistan 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 Kurdistan. In the event that Kurdistan is negatively impacted by instability within Iraq or cross-border military operations, it could face disruption to, or cessation of, its operations or lose key personnel, any of which could have a material adverse effect on the Group's business, results of operations, financial conditions or prospects.

**The Group may be unable to successfully manage its relationships with local communities**

As a consequence of public concern about the perceived ill effects of economic globalization, businesses generally, and large multinational corporations in particular, face increasing public scrutiny of their activities. The Group may operate in or near communities that regard the Group's presence as being detrimental to their environmental, economic or social conditions. The Group may also operate in circumstances in which local communities have a negative reaction to decisions by their government to facilitate development of the oil and gas industry. Negative local community reaction to the Group could lead to disputes with national or local governments or with local communities, give rise to material reputational damage, limit the Group's ability to conduct or finance its activities and threaten the viability of its operations, any of which could have a material adverse effect on the Group's business, results of operations, financial conditions or prospects.

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

There is a risk that the Group's property 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 in the event that its properties are nationalized or expropriated. Should such nationalization or expropriation occur, it could have a material adverse effect on the Group's business, results of operations, financial conditions 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 to its operations, which could have an adverse effect on the Group's business in Yemen, results of operations, financial conditions or prospects.

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

On 3 January 2019, DNO announced that its subsidiary DNO Oman Block 8 Limited has relinquished operatorship and participation in Oman Block 8 to the Sultanate of Oman's Ministry of Oil and Gas (MOG) and 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, Block 8 will be operated by the Musandam Oil and Gas Company, fully-owned by OOCEP.

DNO held a 50 percent interest in the license alongside LG International, which held the remaining 50 percent interest. The relinquishment may give rise to certain contested issues between the Sultanate of Oman and DNO which are currently in discussion between the parties but may take longer to resolve than the date of the Registration Document. This could have an adverse effect on the Group's business, results of operations, financial conditions or prospects.

## 1.4 Risks related to taxation

**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**

The Group is involved in business activities in various jurisdictions and is subject to taxation in the countries in which it operates. Further, some of the legal entities in the Group are, for tax purposes, incorporated and resident in other jurisdictions than those in which they operate and are thus subject to taxation in such countries. 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 on matters that are not entirely free from doubt and for which the Company has not received rulings from the relevant authorities. There is a risk that local tax authorities in the relevant jurisdictions will not agree with the positions taken by the Company, which may lead to an increased tax cost for the Company.

In addition, the manner in which the operations and the ownership of the different legal entities in the Group are structured may have tax implications for the Company and its shareholders. The tax treatment of the Group entities is further subject to changes in, and any new interpretations of, tax legislation in the relevant jurisdictions. The amount of tax the Group pays could increase substantially as a result of changes in or new interpretations of tax legislation, which could have a material adverse effect on the Group's business, results of operations, financial conditions or prospects.

If the Group is successful in finding large commercially recoverable volumes of hydrocarbons in one of its exploration assets, there is a risk that the government in question may decide to increase the royalty payable to it or change material PSC terms, which could have a material adverse effect on the Group's business, results of operations, financial conditions or prospects.

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

Taxation of the Group's operations in Kurdistan is currently governed by regional law and the terms of the Group's PSCs. However, there is uncertainty related to the tax laws of Kurdistan and no well-established tax regime is in place in Kurdistan. In the event that the terms of the Group's PSCs cease to be recognized as valid or are otherwise unenforceable in Kurdistan 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 could be a material adverse effect on the Group's business, results of operations, financial conditions or prospects.

**The Norwegian petroleum tax refund scheme is facing legal challenges**

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 financial cost, incurred in connection with exploration for petroleum resources on the Norwegian Continental Shelf (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, Norwegian E&P companies can also get a refund of the tax value of remaining carry forward losses upon cessation of its petroleum activities. 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 has been subject to scrutiny by, inter alia, environmentalist organizations. Bellona Foundation, a Norwegian environmentalist non-profit organization has 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, ref. article 61 of the EEA-treaty. ESA has recently requested information from Norwegian Authorities following the complaint, and the case now also addresses the refund upon a cessation of petroleum activities. The Norwegian government has vigorously defended the refund schemes but should the whole part of the schemes be found to violate the EEA-treaty, this may lead to a claim for repayment of parts of the received refunds as well as preventing such refunds for the future, both of which may have a material adverse effect on the Group's cash position.

## 2 PERSONS RESPONSIBLE

DNO ASA accepts responsibility for the information contained in this Registration Document and declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Registration Document is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

Oslo, 4th February 2019

DNO ASA

# 3 INFORMATION ABOUT THE COMPANY

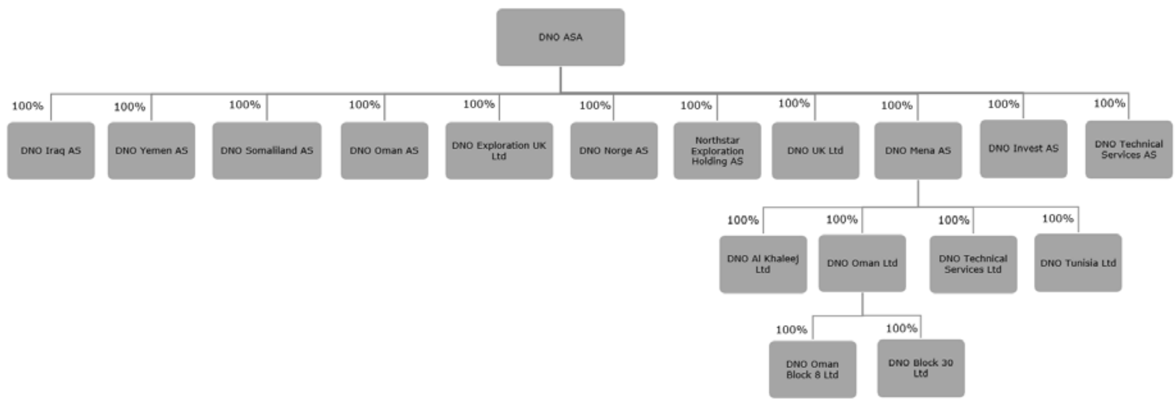
## 3.1 Company corporate information

The Company's legal name is DNO ASA ("DNO") 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 Companies Act of 13 June 1997 no. 45 (the "Norwegian Public Limited Companies Act"). The Company was incorporated on 6 August 1971 and its registration number in the Norwegian Register of Business Enterprises is 921 526 121. 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.

## 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:

| **Company** | **Country of incorporation** | **Field of activity** | **Holding (percent)** |
|---|---|---|---|
| DNO Iraq AS | Norway | Hydrocarbon extraction and related services | 100 |
| DNO Yemen AS | Norway | Hydrocarbon extraction and related services | 100 |
| DNO Somaliland AS | Norway | Hydrocarbon extraction and related services | 100 |
| DNO Oman AS | Norway | Hydrocarbon extraction and related services | 100 |
| DNO Exploration UK Limited | United Kingdom | Hydrocarbon extraction and related services | 100 |
| DNO Norge AS | Norway | Hydrocarbon extraction and related services | 100 |
| Northstar Exploration Holding AS | Norway | Dormant | 100 |
| DNO UK Limited | United Kingdom | Dormant | 100 |
| DNO Mena AS | Norway | Management of hydrocarbon extraction and related services | 100 |
| DNO Tunisia Limited | Guernsey | Dormant | 100 |
| DNO Technical Services Limited | Guernsey | Dormant | 100 |
| DNO Al Khaleej Limited | Guernsey | Dormant | 100 |
| DNO Oman Limited | Bermuda | Hydrocarbon extraction and related services | 100 |
| DNO Oman Block 8 Limited | Guernsey | Hydrocarbon extraction and related services | 100 |
| DNO Block 30 Limited | Guernsey | Dormant | 100 |
| DNO Invest AS | Norway | Dormant | 100 |
| DNO Technical Services AS | Norway | Management of hydrocarbon extraction and related services | 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 Companies Act and are validly issued and fully paid. The Company has one class of shares.

### 3.4 Major shareholders

As of 3 December 2018, the Company had 16,335 shareholders. The Company's 20 largest shareholders as of the same date are shown in the table below:

| # | Shareholders | Number of shares | Percent |
|---|---|---|---|
| 1 | RAK PETROLEUM HOLDINGS B.V. | 438,379,418 | 40.45 |
| 2 | DNO ASA | 35,000,000 | 3.23 |
| 3 | EUROCLEAR BANK S.A./N.V. | 14,254,877 | 1.32 |
| 4 | STATE STREET BANK AND TRUST COMP | 12,849,524 | 1.19 |
| 5 | STATE STREET BANK AND TRUST COMP | 9,354,205 | 0.86 |
| 6 | JPMORGAN CHASE BANK, N.A., LONDON | 9,347,073 | 0.86 |
| 7 | VERDIPAPIRFONDET PARETO INVESTMENT | 9,164,591 | 0.85 |
| 8 | JPMORGAN CHASE BANK, N.A., LONDON | 8,511,098 | 0.79 |
| 9 | BARCLAYS CAPITAL SEC. LTD FIRM | 7,904,441 | 0.73 |
| 10 | THE NORTHERN TRUST COMP, LONDON BR | 7,711,535 | 0.71 |
| 11 | JPMORGAN CHASE BANK, N.A., LONDON | 7,423,989 | 0.68 |
| 12 | STATE STREET BANK AND TRUST COMP | 7,131,968 | 0.66 |
| 13 | NORDNET BANK AB | 5,994,648 | 0.55 |
| 14 | KLP AKSJENORGE INDEKS | 5,534,080 | 0.51 |
| 15 | J.P. MORGAN BANK LUXEMBOURG S.A. | 5,325,000 | 0.49 |
| 16 | BANQUE DE LUXEMBOURG S.A. | 5,051,592 | 0.47 |
| 17 | FIRST GENERATOR | 5,030,000 | 0.46 |
| 18 | CLEARSTREAM BANKING S.A. | 4,999,238 | 0.46 |
| 19 | VPF NORDEA AVKASTNING | 4,994,183 | 0.46 |
| 20 | CITIBANK, N.A. | 4,801,785 | 0.44 |
| | **Other**............................................................................................ | 475,050,916 | 43.83 |
| | **Total**............................................................................................ | **1,083,814,161** | **100.0** |

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 of which could result in a change of control of the Company at a subsequent date.

### 3.5 Articles of association

The objective of the company is to carry out operations within petroleum, shipping, offshore, transport, trade, industry and finance, as well as any other activities related thereto, and to participate as a shareholder or in other ways in other companies. The Company's objectives can be found in Section 3 in the Company's articles of association.

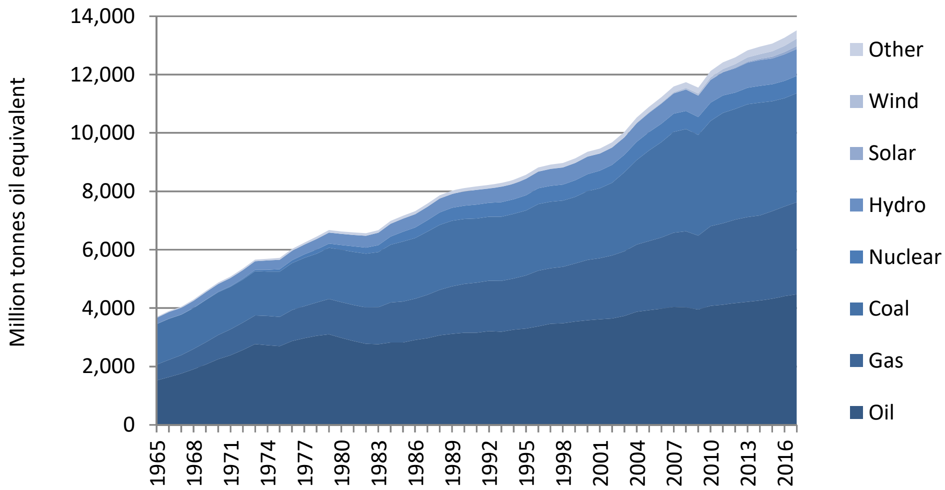
# 4 INDUSTRY AND MARKET OVERVIEW

## 4.1 The global energy market

World energy consumption has steadily increased since the industrial revolution, a trend which is expected to continue in the medium term. Fossil fuels continue to supply more than 85 percent of the world's energy. Oil is the largest energy source, meeting 34 percent of the world's energy consumption, while natural gas accounts for 23 percent and coal for 28 percent.[1]

The world consumption of primary energy – including oil, natural gas, coal, nuclear, hydro power and other renewable energy – increased by 1.9 percent in 2017. Global oil consumption increased by 1.9 million barrels of oil per day (bopd) or 1.8 percent in 2017.

**Figure 1 – Total world energy consumption 1965-2017 – distribution by fuel**




Source: BP Statistical Review of World Energy June 2018.

## 4.2 Overview of the oil market

Oil is a common description of hydrocarbons in liquid form. Crude oil produced from different oil fields varies greatly in composition, and the composition and distribution of hydrocarbon components determines the weight of the oil, with light crude oil having a higher percentage of light hydrocarbons than heavier oil. Light oil requires less refinement to be usable and is therefore typically more valuable than heavy oil.

Oil is well suited for storage and transportation and is transported over long distances in large crude oil tankers or pipelines. Because of this, oil is a commodity with a well-developed global market. The prices are determined on the world's leading commodities exchanges, with NYMEX in New York and the ICE in London as the most important markets for the determination of global oil prices. Relative oil price differentials are primarily determined by the weight of the oil and its sulfur content, with WTI, the main benchmark for NYMEX, as the lightest and sweetest (lowest in sulfur) of the main benchmarks in oil pricing. Brent crude – the main benchmark for ICE – is slightly heavier.

Crude oil is used for a variety of purposes, the most important being the production of energy rich fuels, with approximately 70 percent of hydrocarbons being used for gasoline, diesel, jet fuel and other fuel oils. The remaining hydrocarbons are used as raw material for many chemical products, including pharmaceuticals, solvents, fertilizers, pesticides and plastics.

### *4.2.1 World oil production, consumption and reserves*

World oil consumption in 2017 was approximately 98.2 million bopd, of which Asia Pacific, North America and Europe including Eurasia (most importantly, Russia) accounted for approximately 35 percent, 25 percent and 20 percent, respectively. Consumption in the Middle East was about 9.5 percent of the world total.

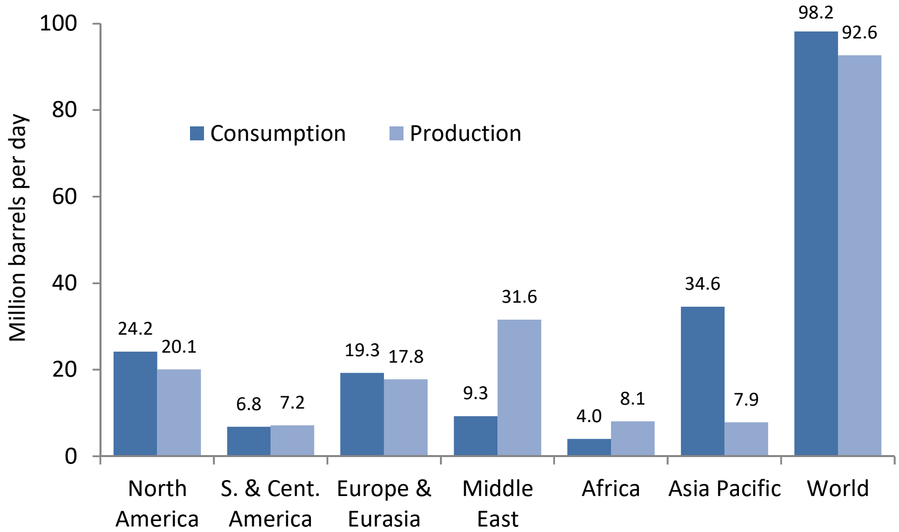
The Middle East is the world's largest oil producing region, accounting for 34 percent of the world total. North America is second behind the Middle East, accounting for 22 percent, followed by Europe and Eurasia with 19

[1] BP Statistical Review of World Energy June 2018.

percent.[2]

Despite being the largest consuming region, oil production in Asia Pacific accounts for only 9 percent of total world production.

**Figure 2 – World oil consumption and production by region, 2017**

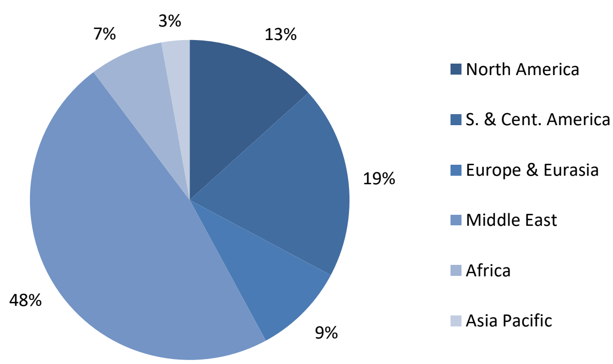



Source: BP Statistical Review of World Energy June 2018.

Worldwide proven oil reserves stood at an estimated 1,697 billion barrels at the end of 2017, sufficient to meet some 50 years of global production at 2017 production levels.

The members of OPEC together held 71.8 percent of total global reserves in 2017. OPEC includes the largest Middle East oil producers, namely Iran, Iraq, Kuwait, Saudi Arabia, Qatar and the UAE, in addition to Algeria, Angola, Congo, Equatorial Guinea, Libya, Nigeria, Gabon, Ecuador, and Venezuela. OPEC has historically played the role of swing producer in the global oil market and its decisions have had considerable influence on oil supply availability and thus international oil prices.[3]

**Figure 3 – Distribution of proven world oil reserves 2017**




Source: BP Statistical Review of World Energy June 2018.

### *4.2.2 Oil prices*

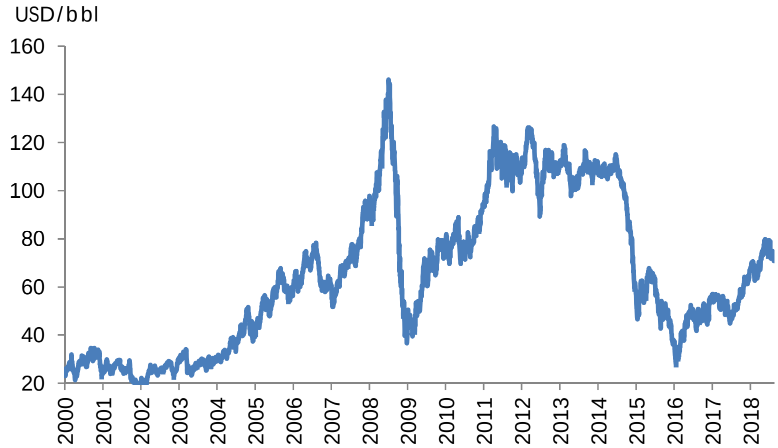
Oil prices were close to all-time highs for most of 2011, 2012, 2013 and the first half of 2014, with Brent oil trading within a USD 100-125 per barrel range most of the time. However, during the second half of 2014, oil prices declined steeply and in 2015 Brent averaged USD 54 per barrel. Towards the end of 2015 and into 2016, oil prices decreased further, and Brent reached a low of USD 28 per barrel in January 2016. Since then, prices have recovered substantially with Brent averaging USD 55 per barrel in 2017, USD 72 per barrel so far in 2018 and USD 67 per barrel over the past twelve months.

[2] BP Statistical Review of World Energy June 2018

[3] BP Statistical Review of World Energy June 2018

As evidenced by the price changes in recent years, the oil price is highly dependent on the current and expected future supply and demand of oil. As such, it is influenced by global macroeconomic conditions and may experience material fluctuations based on economic indicators and material economic events and geopolitical events. Historically, oil prices have also been heavily influenced by organizational and national policies, most significantly the formation of OPEC and subsequent production policies announced by the organization. The figure below shows Brent oil price development from 1 January 2000 to 20 August 2018.

**Figure 4 – Brent oil price, daily from 1 Jan 2000 to 20 Aug 2018**




Source: Bloomberg oil price data.

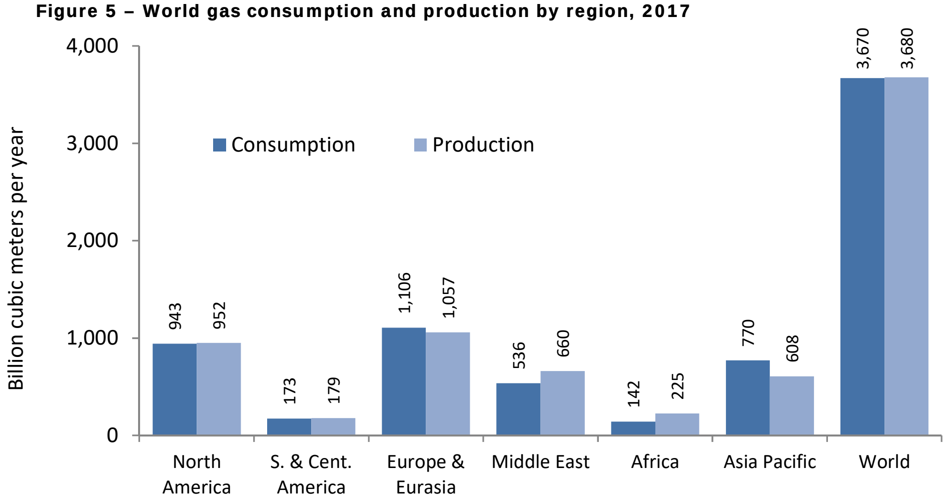
### 4.3 Overview of the global market for gas

Natural gas is typically colorless, odorless and non-toxic at ambient temperatures. It can be found in onshore and offshore reservoirs, either as associated gas in crude oil or condensate or alone as non-associated gas. Natural gas is composed primarily of methane, but may also contain ethane, propane and heavier hydrocarbons. Small quantities of nitrogen, oxygen, carbon dioxide, sulfur compounds and water can also be found in natural gas. It is often termed a premium commodity for its value as both an energy source and as a feedstock for petrochemical products, and because it is relatively clean-burning. As a result, natural gas is used in a variety of ways: for home and business heating, electric power generation, the manufacture of petrochemical products ranging from plastics to fertilizers and intermediate materials, and as a vehicle fuel.

#### *4.3.1 World gas production, consumption and reserves*

In 2017, total world consumption of gas was approximately 3,670 billion cubic meters ("Bcm") of which Europe and Eurasia, North America and Asia Pacific accounted for approximately 30 percent, 26 percent and 21 percent, respectively. Consumption of gas in the Middle East was approximately 536 Bcm in 2017, representing approximately 15 percent of the world total. Production in the Middle East exceeded consumption by 123 Bcm.

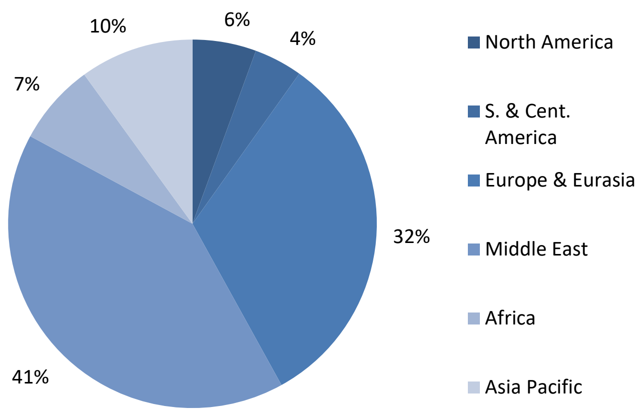
**Figure 5 – World gas consumption and production by region, 2017**




Source: BP Statistical Review of World Energy June 2018.

Total world proven gas reserves stood at approximately 193 trillion cubic meters at the end of 2017. These reserves are sufficient to meet approximately 53 years of global gas production at 2017 levels. Approximately 41 percent of total world proven gas reserves are located in the Middle East, while Europe and Eurasia contain 32 percent (of which the majority is in Russia and Turkmenistan).

**Figure 6 – Distribution of proven world gas reserves, 2017**




Source: BP Statistical Review of World Energy 2018.

### *4.3.2 Gas prices*

Because gas is not easily transported, gas prices are not determined by a world-wide market. Gas prices are usually determined regionally, with regions defined by pipeline and LNG transportation networks. There is less correlation between regional gas prices than there is between the prices of various types of oil, but there is correlation between gas prices and the oil price and other energy prices.

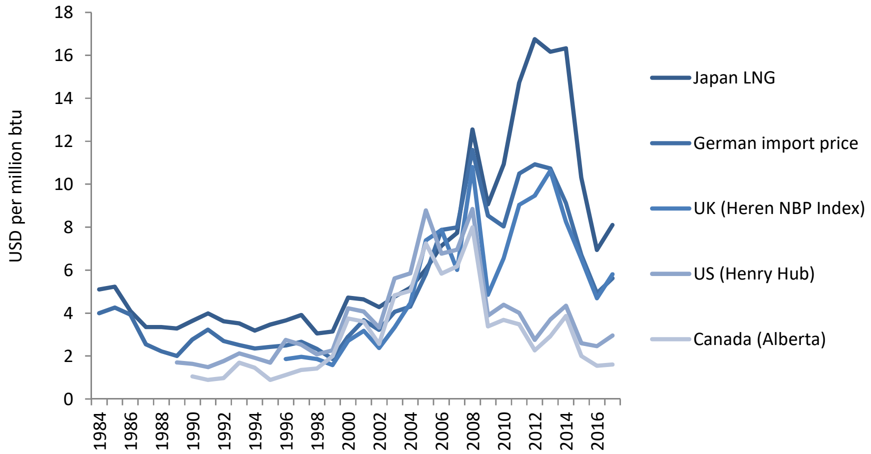
Gas price volatility is significantly higher than oil price volatility. This is primarily due to gas being more difficult to store than oil, meaning that gas prices are affected by immediate supply and demand within pipeline networks.

Three broad pricing mechanisms exist for gas. The first, mostly seen in international trade and in long-term contracts, involves linking gas to either crude or petroleum product prices. The second pricing mechanism is regulated pricing in domestic markets where governments set fixed prices usually reflecting production and transportation costs. The final mechanism is competitive pricing whereby trading points, often called hubs, are established in major markets and price is determined by supply and demand at these hubs.

The gas market in the U.S. is largely deregulated. There are multiple trading points across the U.S. and Canada, but the most active point is the Henry Hub in Louisiana. In Europe, gas has historically been traded under long-term contracts with pricing linked to diesel and heavy fuel. In recent years, however, an increasing share of European gas volumes have shifted from oil based to hub-based pricing, where gas supply demand dynamics determine the price. Several trading hubs for gas have been established, the most active of which is the National Balancing Point (NBP), in the United Kingdom.

Oil-linked pricing has been prevalent in Asia, where large volumes of gas have been imported in liquefied form under long-term contracts.

**Figure 7 – Historical gas prices**




Source: BP Statistical Review of World Energy June 2018.

## 4.4 Overview of the Group's countries of operation

### *4.4.1 Kurdistan*

Kurdistan is estimated to hold 4 billion barrels of proven oil reserves and the KRG estimates that it holds 45 billion barrels in reserves and unproven resources.[4] Kurdistan is currently exporting around 400,000 bopd via pipeline to the Ceyhan terminal in Turkey to international markets. DNO's contribution from the Tawke license represents around one-third of total exports. Other international operators include ExxonMobil, Chevron, Genel Energy and Gulf Keystone.

### *4.4.2 Norway*

Norway is a significant oil and gas producer and is the world's 11th largest crude oil exporter and the 3rd largest gas exporter. In 2017, Norway produced close to 2 million bopd and 123 Bcm of gas. Since production started in 1971, oil and gas have been produced from a total of 107 fields on the NCS. At the end of 2017, 85 fields were in production: 66 in the North Sea, 17 in the Norwegian Sea and two in the Barents Sea. Five new fields started producing in 2017, while a further nine were still under development at the end of the year.[5]

Many of the producing fields are ageing, but some of them still have substantial remaining reserves. Moreover, the resource base in these fields increases when small discoveries in the area are tied in to existing infrastructure. According to the Norwegian Petroleum Directorate, only 45 percent of estimated petroleum resources have been produced.

There are a large number of oil and gas companies active in Norway. At the end of 2017, a total of 43 exploration and production companies were active on the Norwegian shelf: 27 companies as operators and a further 16 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.

### *4.4.3 United Kingdom*

The United Kingdom is a mature region that has been producing hydrocarbons 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 2017, oil and gas production amounted to nearly 1 million bopd and 42 Bcm of gas, respectively. As of end-2017, proved remaining oil and gas reserves were estimated to 2.3 billion barrels of oil and 184 Bcm of gas.[6]

Similar to Norway, there are a large and diverse number of oil and gas companies active in the United Kingdom.

[4] EIA Energy (https://www.eia.gov/beta/international/analysis_includes/countries_long/Iraq/iraq.pdf) (April 2016)
[5] BP Statistical Review of World Energy June 2018, and the Norwegian Petroleum Directorate.
[6] BP Statistical Review of World Energy June 2018.

*4.4.4 Oman*

Among the non-OPEC nations in the Middle East, Oman is the largest oil and gas producer. It produced approximately 971,000 bopd and 32.3 Bcm of gas in 2017. Over the past several years, enhanced oil recovery techniques have helped Oman's oil production rebound after a multi-year decline that began in the early 2000s and reached a low of 710,000 bopd in 2007, according to official data from Oman's Ministry of Oil and Gas. As is the case with other Middle Eastern countries, the economy of Oman is highly dependent on oil and gas export revenues.

At the end of 2017, the country's total proven oil reserves stood at 5.4 billion barrels and total proven gas reserves at 664 Bcm.[7] The vast majority of Oman's oil reserves are held by Petroleum Development Oman ("PDO"). PDO is estimated to account for approximately 70 percent of Oman's annual oil production. The Oman government owns a 60 percent share of PDO and the rest is held by Shell (34 percent), Total (4 percent) and Partex (2 percent). PDO currently accounts for nearly all of Oman's gas supply.

[7] BP Statistical Review of World Energy June 2018.

# 5 BUSINESS OVERVIEW

## 5.1 Overview

DNO ASA 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 Kurdistan region of Iraq, Norway, the United Kingdom 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 Kurdistan, 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 Baeshiqa PSC contains two large structures with multiple independent stacked target reservoirs, including in the Cretaceous, Jurassic and Triassic.

DNO currently holds 21 offshore exploration licenses in Norway and one offshore exploration license in the United Kingdom.

DNO also holds one license in Yemen at Block 47, where activity remains on hold as operations are suspended.

As is customary in the oil and gas exploration and production industry, most of the Group's assets are held in partnership with other companies. Below is an overview of the Group's licenses, which are held through several wholly-owned subsidiary companies.

| Region / license | Participating interest (percent) | Paying interest (percent)[1] | Operator | Status[2] |
|---|---|---|---|---|
| **Kurdistan** | | | | |
| Baeshiqa PSC | 32.0 | 40.0 | DNO | E |
| Erbil PSC | 40.0 | 60.0 | DNO | A/D/P |
| Tawke PSC | 75.0 | 75.0 | DNO | A/D/P |
| **Norway** | | | | |
| PL248 F | 20.0 | 20.0 | Wintershall Norge | E |
| PL248 GS | 20.0 | 20.0 | Wintershall Norge | E |
| PL248 HS | 20.0 | 20.0 | Wintershall Norge | E |
| PL293 B | 20.0 | 20.0 | Equinor | E |
| PL767 | 10.0 | 10.0 | Lundin | E |
| PL825 | 10.0 | 10.0 | Faroe Petroleum | E |
| PL827S | 30.0 | 30.0 | Equinor | E |
| PL859 | 20.0 | 20.0 | Equinor | E |
| PL889 | 20.0 | 20.0 | VNG | E |
| PL902 | 10.0 | 10.0 | Lundin | E |
| PL921 | 15.0 | 15.0 | Equinor | E |
| PL922 | 20.0 | 20.0 | Spirit Energy Norge | E |
| PL923 | 20.0 | 20.0 | Equinor | E |
| PL924 | 15.0 | 15.0 | Equinor | E |
| PL926 | 20.0 | 20.0 | Faroe Petroleum | E |
| PL929 | 10.0 | 10.0 | Neptune Energy | E |
| PL931 | 40.0 | 40.0 | Wellesley Petroleum | E |
| PL943 | 30.0 | 30.0 | Equinor | E |
| PL950 | 10.0 | 10.0 | Lundin | E |
| PL951 | 20.0 | 20.0 | Aker BP | E |
| PL953 | 30.0 | 30.0 | Wintershall Norge | E |
| **United Kingdom** | | | | |
| P2074 | 25.0 | 25.0 | Chrysaor CNS Limited | E |
| **Yemen** | | | | |
| Block 47 | 64.0 | 80.0 | DNO | E/D/S |

1. Under the terms of some of its PSCs and PSAs, DNO carries the costs of the interest held by a participating government entity, resulting in a DNO paying interest that is larger than the DNO participating interest.
2. A = Appraisal, E = Exploration, D = Development, P = Production, R = Under Relinquishment, S = Operations Suspended.

Most of 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, exploration and production activities are carried out by the license holders. Typically, all risks and costs of exploration and production 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 DNO's annual statement of reserves and resources ("ASRR") for the year ended 31 December 2017. The ASRR is prepared based on the 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 natural gas companies on the Oslo Stock Exchange, cf Section 3.7 of the Continuing Obligations for Companies Listed on the Oslo Stock Exchange.

The system uses "reserves", "contingent resources" and "prospective resources" to classify hydrocarbon 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 (1P) reserves**" 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 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 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 probability of the contingent resources is classified into category 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 development projects. The probability that contingent and prospective resources will be economically recoverable or discovered is considerably lower than for proven, probable and possible reserves. Volumes and values associated with contingent and prospective resources should be considered highly speculative and may necessitate material revision subsequent to the date on which they have been estimated.

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 company working interest 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 DNO.

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

At yearend 2017, DNO's Company Working Interest (CWI) proven reserves (1P) stood at 239.8 million barrels of oil equivalent (MMboe), up from 219.2 MMboe at yearend 2016, after adjusting for production during the year, technical revisions and an increase in DNO's interest to 75 percent in the Tawke license plus three percent of aggregate license revenues until 31 July 2022 pursuant to the Receivables Settlement Agreement with the KRG in August 2017. On a proven and probable (2P) basis, DNO's CWI reserves stood at 384.1 MMboe, up from 368.3 MMboe at yearend 2016. On a proven, probable and possible (3P) basis, DNO's CWI reserves climbed to 665.7 MMboe from 520.7 MMboe at yearend 2016. DNO's CWI contingent resources (2C) were estimated at 98.9 MMboe, down from 161.3 MMboe at yearend 2016, following reclassification of certain contingent resources to reserves.

DNO's operated production in 2017 was 41.4 MMboe, up from 41.1 MMboe in 2016. DNO's CWI production in 2017 was 26.9 MMboe, up from 25.3 MMboe in 2016.

The Company's year-end 2017 Reserve Life Index (R/P) stood at 8.9 years on a 1P reserves basis, 14.3 years on a 2P reserves basis and 24.8 years on a 3P reserves basis.

Reported reserves fall within class 1-3 of the Norwegian Petroleum Directorate (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 2017, derived from DNO's ASRR for the year ended 31 December 2017, which is prepared based on the PRMS reporting standards.

**Remaining reserves at yearend 2017 (Gross, CWI and NE)**

| Asset | Proven (1P) | | | Proven + Probable (2P) | | | Proven + Probable + Possible (3P) | | |
|---|---|---|---|---|---|---|---|---|---|
| | Gross (MMbbls) | CWI (MMbbls) | NE (MMbbls) | Gross (MMbbls) | CWI (MMbbls) | NE (MMbbls) | Gross (MMbbls) | CWI (MMbbls) | NE (MMbbls) |
| **Developed Assets** | | | | | | | | | |
| Kurdistan, Tawke field | 173.7 | 120.6 | 59.7 | 224.6 | 154.1 | 70.5 | 298.7 | 204.4 | 77.4 |
| Kurdistan, Peshkabir field | 8.3 | 5.8 | 2.9 | 8.3 | 5.8 | 2.7 | 48.6 | 33.4 | 12.7 |
| **Total Developed** | | **126.4** | **62.6** | | **159.8** | **73.1** | | **237.8** | **90.1** |
| **Asset** | **Proven (1P)** | | | **Proven + Probable (2P)** | | | **Proven + Probable + Possible (3P)** | | |
| | Gross (MMbbls) | CWI (MMbbls) | NE (MMbbls) | Gross (MMbbls) | CWI (MMbbls) | NE (MMbbls) | Gross (MMbbls) | CWI (MMbbls) | NE (MMbbls) |
| **Under Development Assets** | | | | | | | | | |
| Kurdistan, Tawke field | 161.6 | 110.1 | 55.4 | 212.9 | 146.1 | 66.8 | 289.0 | 197.8 | 74.9 |
| Kurdistan, Peshkabir field | 4.7 | 3.3 | 1.7 | 66.8 | 46.3 | 21.5 | 243.7 | 167.4 | 63.7 |
| Kurdistan, Bastora field | | | | 10.9 | 5.1 | 3.6 | 16.4 | 7.6 | 4.3 |
| Kurdistan, Benenan field | | | | 57.4 | 26.7 | 18.8 | 118.6 | 55.2 | 31.4 |
| **Total Under Development** | | **113.4** | **57.1** | | **224.2** | **110.7** | | **427.9** | **174.3** |
| **TOTAL DNO ASA** | | **239.8** | **119.6** | | **384.1** | **183.9** | | **665.7** | **264.3** |

All figures reflect pre-tax shares. CWI and NE reserves are net to DNO after royalty and reflect DNO's additional share of cost oil covering its advances towards the government carried interest (if any). Following the Kurdistan Receivables Settlement Agreement, DNO's interest in the Tawke license increased to 75 percent plus, until 31 July 2022, three percent of aggregate license revenues (the "override"), and the CWI and NE reserves in the table above reflect the reserves attributable to DNO from the increased interest and the override. NE reserves are based on economic evaluation of the license agreements, incorporating projections of future costs and oil prices. NE reserves may therefore fluctuate over time, even if there are no changes in the underlying gross and CWI volumes.

The ASRR is available on DNO'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 hydrocarbon production on a daily gross production and CWI basis for each of the regions in which it has producing assets for the first nine months of 2018 and the years ended 31 December 2017 and 2016.

| | First nine months | Full year | |
|---|---|---|---|
| | **2018** | **2017** | **2016** |
| **Gross production (boepd)** | | | |
| Kurdistan .................................................... | 113,175 | 109,047 | 107,299 |
| Oman .......................................................... | 4,403 | 4,484 | 5,325 |
| **Total .........................................................** | **117,578** | **113,530** | **112,624** |
| **Company working interest (CWI) production (boepd)** | | | |
| Kurdistan ..................................................... | 79,766 | 71,436 | 66,525 |
| Oman .......................................................... | 1,760 | 2,243 | 2,663 |
| **Total .........................................................** | **81,526** | **73,679** | **69,188** |

DNO's operated production in 2017 averaged 113,530 boepd, up from 112,624 boepd in 2016. DNO's CWI production in 2017 averaged 73,678 boepd, up from 69,188 boepd in 2016.

### *5.3.1 Kurdistan*

The Group holds interests in three PSCs in Kurdistan: Tawke, Erbil and Baeshiqa. DNO is the operator of all of its PSCs in Kurdistan.

#### *5.3.1.1 Tawke*

Gross output at the Tawke PSC, containing both the Tawke and Peshkabir fields, averaged 109,047 bopd during 2017, of which 105,464 bopd was from the Tawke field and 3,583 bopd was from the Peshkabir field. Peshkabir came onstream in early 2017 following the start-up of the Peshkabir-2 well. By end-2017, the field was producing over 15,000 bopd following the start-up of the Peshkabir-3 well. In July 2018, DNO more than doubled Peshkabir production to 35,000 bopd following the start-up of the Peshkabir-4 and Peshkabir-5 wells. By October 2018, Peshkabir had ramped up to 50,000 bopd, meeting the end-2018 target ahead of schedule and below budget, following completion of the Peshkabir-6 and Peshkabir-7 wells.

As of 30 September 2018, cumulative Tawke field production since inception stood at nearly 250 million barrels and cumulative Peshkabir field production stood at nearly 7 million barrels.

#### *5.3.1.2 Erbil*

The Group's Erbil PSC contains both the Benenan and Bastora fields. Testing is ongoing at the Hawler-1A well at the Benenan heavy oil field. Estimates of oil-in-place at Benenan stand at more than two billion barrels.

#### *5.3.1.3 Baeshiqa*

The Baeshiqa PSC contains two large structures with multiple independent stacked target reservoirs, including in the Cretaceous, Jurassic and Triassic. In October 2018, the Company spud the Baeshiqa-1 exploration well to test the Cretaceous at the Baeshiqa structure. This will then be followed by a second well to test the deeper Jurassic and Triassic on the same structure. A third well will test the Jurassic and Triassic on a separate structure during 2019.

*5.3.1.4 Sales*

The oil that DNO 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. Export revenues have historically been recognized by DNO only upon receipt of payment. The funds are shared by DNO and partner Genel Energy plc 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 Dated Brent in addition to deductions for pipeline transit fees.

On 24 August 2017, DNO and the KRG completed a settlement of outstanding receivables owed to DNO for past oil deliveries. The settlement had an effective date of 1 August 2017. Under the settlement agreement, DNO was assigned the 20 percent interest in the Tawke license previously held by the KRG, bringing DNO's operated interest to 75 percent. In addition to the 20 percent interest, the Company will receive three percent of gross license revenues each month from the KRG over a five-year period. The KRG also discharged DNO 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.

*5.3.1.5 Production sharing contracts*

The Group's operations in Kurdistan are regulated by the Tawke, Erbil and Baeshiqa PSCs, which were entered into with the KRG.

The Group's participating and paying interest in the Tawke PSC is 75 percent. DNO is the operator of the Tawke PSC and its partner is Genel, which holds a 25 percent participating and paying interest. The Tawke PSC expires in 2031 following an automatic five-year extension. DNO may apply for a further five-year extension of the license period to 2036, provided that commercial production is still possible, but such extensions are subject to approval by the local authorities. Based on the Group's current assessments, the Tawke PSC will be economic for the duration of its contractual term and through any subsequent extensions.

The Group'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 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 2036 following an automatic five-year extension. Similar to the Tawke PSC, DNO may apply for a further five-year extension of the license period to 2041.

DNO 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.

Under each of the PSCs, DNO and its partners must perform certain minimum work obligations during the applicable exploration periods. DNO, as operator under each PSC, has performed all of the minimum work obligations mandated by the Tawke and Erbil PSCs. Separately, the Baeshiqa PSC has a two-well obligation to be drilled during the exploration phase of the license period.

The fiscal regime under the PSCs operates on a cost oil/profit oil basis. DNO and its partners are entitled to recover their costs after payment to the KRG of a royalty equal to 10 percent of the oil produced in the relevant PSC area. The KRG can take the royalty in cash or in kind. If taken in cash, the oil is valued at the point of delivery according to an international market price defined in the applicable PSC.

After payment of the royalty, DNO 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 and its partners and to the KRG 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 and its partners are entitled decreases as cumulative revenue increases relative to cumulative costs. The Group'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. This effectively results in the Group's share of profit oil being net of taxes. The volume equivalent of this tax is included in the Group's net reserves.

| PSC | Cost oil entitlement cap (percent) | Profit oil entitlement cap (percent) |
|---|---|---|
| Tawke ............................... | 45 | 16-38 |
| Erbil ................................. | 43 | 16-32 |

At the Erbil PSC, DNO and its partners are obliged to pay certain bonuses to the KRG, including a production bonus upon reaching various production milestones and a capacity building bonus upon certain conditions related to sales. To date, DNO has paid USD 3.0 million in capacity building bonuses to the KRG for the Erbil PSC.

Please see Section 1 "Risk factors" above for a description of the dispute between the FGI and the KRG regarding PSCs in Kurdistan and the sharing of revenues.

*5.3.2 Oman*

The Group operated and held a 50 percent stake in Block 8 in Oman, located to the northwest of the Musandam peninsula in Omani waters. Offshore at Block 8, the Bukha and West Bukha fields produced an average of 4,403 boepd during the first nine months of 2018. CWI reserves and contingent resources at Block 8 were written down to zero at yearend 2017. On 3 January 2019, DNO announced that its subsidiary DNO Oman Block 8 Limited relinquished operatorship and participation in Block 8.

*5.3.3 Yemen*

Activity at Block 47 remains on hold as operations are suspended.

*5.3.4 Norway and United Kingdom*

In 2017, DNO re-entered the North Sea by acquiring Origo Exploration Holding AS, with its experienced exploration team and an existing portfolio of offshore exploration licenses in Norway and the United Kingdom. Origo was subsequently renamed DNO Norge AS and the portfolio has since expanded.

DNO currently holds 21 exploration licenses in Norway and one exploration license in the United Kingdom.

*5.3.4.1 Regulatory framework in Norway*

Norway has put in place an extensive legislation that requires companies to obtain licenses and approval from the competent authorities for all phases of petroleum activities. The Norwegian Petroleum Act (PA) provides the general legal basis, including the licensing system that gives DNO and other companies rights to engage in petroleum operations. The Act establishes that the Norwegian state has the proprietary right to subsea petroleum deposits on the NCS.

*5.3.4.2 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. When it is no longer possible to produce profitably from a field, operations must be closed down and the installations disposed of (made safe in place or removed).

*5.3.4.3 Production licenses on the NCS*

A production license grants exclusive rights to exploration, exploration drilling and production of petroleum in the area covered by the license. It also regulates other rights and duties of the licensees concerning the Norwegian state. Production licenses supplement the provisions of the legislation and set out detailed conditions for activities in a particular area. Licensees become the owners of a share of the oil and gas produced proportional to their share of the ownership.

Production licenses on the NCS are awarded through two different types licensing rounds: the ordinary license rounds which usually take place every other year and through Norway’s Awards in Predefined Areas (APA), which take place annually. The two types of licensing rounds are distinguishable in that the ordinary license rounds cover new areas on the NCS, where the geology is more unknown, while the APA rounds relate to mature areas that have been awarded in previous ordinary license rounds and have later been relinquished. Ownership in production licenses can alternatively be obtained through direct purchase of license interests or indirectly by purchasing shares in petroleum companies holding license interests on the NCS. Any such purchases are subject to the approval of the Ministry of Petroleum and Energy (MPE) and the Ministry of Finance (MOF).

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

The terms of NCS production licenses are to a large degree standardized in the PA, regulations issued under the PA and the use of standardized license documents and a standard joint operating agreement. The fiscal terms are also set out in legislation. The rules set out in the PA and regulations issued thereunder are comprehensive and detailed. The authorities, notably the MPE and its subordinate public entities, are given wide discretionary powers under the PA and the regulations thereunder.

As for the production licenses, the two primary license terms contemplate completion of the “work obligation” and entrance into an “Agreement Concerning Petroleum Activities,” which includes “Joint Operating Agreement” (JOA) and “Accounting Agreement.”

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, meaning that the operator neither receives compensation nor assumes liability for the activities of the joint venture.

The joint venture participants are primarily liable to each other on a pro rata basis, meaning that each is secondarily, jointly, and severally liable for all obligations arising out of the 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.

A participant is entitled to assign its interest directly or indirectly, in full or in part. The sales and purchase agreement shall contain provisions obliging the assignee to be bound by the JOA and the conditions of the production license. If the work obligation in the production license has not been completed, the participant is not allowed to assign its interest without the consent of the management committee. As mentioned, any such assignment is subject to the approval of the MPE and MOF.

The work obligation typically involves collecting and processing seismic data and drilling of exploration wells. However, 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. In the ordinary license rounds, licensees are normally only obliged to collect and process seismic data and to decide whether to drill an exploration well. The APA rounds have a much more comprehensive work obligations with tighter timeframes, in which licensees are normally obligated to collect and process seismic data, make a decision on drill or drop, concretization, continuation, and whether to submit a plan for development and operation of the field to the MPE – all within a certain timeframe.

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 licensee has 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, see PA section 3-9. The MPE also has the power, pursuant to PA Section 3-15, to require that the work obligations are fulfilled prior to any surrender of the production license.

A close relationship exists between the work obligations stipulated in the production license and the standard JOA. This connection grows from certain provisions in the JOA linked to completion of the work obligation outlined in the production license. Article 18.3(d) of the JOA prescribes that sole risk operations may not take place before the “obligatory work obligation in the Production License” has been completed. Furthermore, Article 23.1, Paragraph 2 states that before the “obligatory work commitment pursuant to the Production License” has been carried out, a party cannot assign its participating interest without the consent of the management committee. Finally, Article 24.1, Paragraph 1 determines that a party may withdraw from the joint venture “when the work obligation described in the Production License has been carried out.” The licensee’s right to go sole risk, to assign its participating interest without the consent of the management committee, and to withdraw from the joint venture are all dependent on whether the work obligation in the production license has been carried out.

The Accounting Agreement governs the practical matters relating to costs incurred by the joint venture. The content includes cash calls, statements and billings, charges to the joint account, and interest on outstanding payments. The provisions are technical in nature and essential to the operation of the joint venture’s activities.

The obligation to contribute funds to the joint venture, however, is not stipulated in the Accounting Agreement but in the JOA.

*5.3.4.5 The exploration phase*

Once awarded, a production license applies for an initial period of up to ten years, which is reserved for exploration activity. 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 programmed, as mentioned above. If all the licensees agree, they may relinquish the production license once they have completed the obligatory work. Areas relinquished in this way can later be awarded to new licensee groups.

*5.3.4.6 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 obligation, 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, and in most cases is 30 years. Field development and operation take place during the extension period. If the licensees wish to develop a field, they are obliged to do this in a responsible way. The companies are responsible for planning and implementing development projects, but each project requires prior approval from the MPE.

The licensees must submit a plan for development and operation (PDO) of a new deposit to the MPE as a basis for approval. If the project includes pipelines or onshore terminals, a separate plan for installation and operation (PIO) of these must also be submitted and approved. 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 otherwise. 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.
The MPE has together with the Ministry of Labour and Social Affairs drawn up guidelines for PDOs and PIOs, which explain the legislation further and detail what the authorities expect from developers. The guidelines are also available on the NPD's website. The development and operation phase is further regulated by Chapter 4 of the PA Chapter 4 of the Petroleum Regulations. A license can be renewed when it expires. As long as the license if fulfilling its obligations, the authorities do not normally revoke a license.

*5.3.4.7 Cessation of petroleum activities*

The licensees (operator) shall prepare and file for approval of a plan for decommissioning and removal. The PA 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, section 5-3.

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 "secondary 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 decommission 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 PA, under which the licensee is liable on a strict basis for pollution which emanates from a facility.

*5.3.4.8 Summary of the Group`s exploration license portfolio on the NCS*

DNO currently holds 21 exploration licenses in Norway, each described below.

*PL248 F:* The license is located in Block 35/11 in the North Sea area and contains the Jurassic oil discoveries of Orion and Syrah made in 2016. The license was awarded on 10 December 2015 and is valid until 4 June 2035. The work program is completed.

*PL248 GS & HS:* The licenses 248 GS & HS were split from the PL248 in 2016. The licenses are located in Blocks 35/7, 35/8 and 35/11 in the North Sea and contain the Jurassic discovery of Tusse and the Hoyt lead, both of which are oil. The license was awarded on 30 June 2016 and is valid until 4 June 2035. The work program is completed. The operator is currently working on maturing the prospectivity based on new seismic data.

*PL293 B:* The license is located in Block 35/10 in the North Sea and contains the Paleocene Rokke lead oil prospect. The license was awarded on 15 June 2012 and is valid until 11 April 2039. The work program is completed.

*PL767:* DNO entered the license through a swap deal with Lundin in June 2018. The license is located in Blocks 7120/3, 7120/1, 7121/2 and 8121/4 in the Barents Sea and contains the oil prospects Pointer and Setter. The license was awarded on 7 February 2014 and is valid until 7 February 2023. The work program involved acquisition and reprocessing of 3D seismic, which is completed. The Pointer prospect is being drilled during 2019.

*PL825:* DNO entered the license through a swap deal with Lundin in June 2018. The license is located in Blocks 30/3 and 30/6 in the North Sea area and contains the Rungne oil prospect. The license was awarded on 5 February 2016 and is valid until 5 February 2023. The work program involved acquisition and reprocessing of 3D seismic, and drilling of the Rungne prospect. The drilling of the Rungne prospect commenced in October 2018, targeting Middle Jurassic Oseberg Formation, with secondary targets in the Etive and Ness formations. In November 2018, the operator announced that the well had encountered a technical discovery, but no hydrocarbon contact was encountered within the main target Ness formation.

*PL827 S:* DNO entered the license through a swap deal with AS Norske Shell in June 2018. The license is located in Block 35/10 in the North Sea and contains the Gabriel and Angel oil prospects. The license was awarded on 5 February 2016 and is valid until 5 February 2024. The work program involves acquisition and reprocessing of 3D seismic.

*PL859:* DNO entered the license through a farm-in agreement with Chevron in 2018. The license is located in Blocks 7434/7, 7434/8, 7434/9, 7435/9, 7435/10, 7435/11, 7435/12, 7335/1, 7335/2, 7335/3, 7336/1, 7435/10 in the Barents Sea and contains the Korpfjell Deep gas prospect The license was awarded on 10 June 2016 and is valid until 10 December 2019. The work program involves drilling of two firm wells. The first firm well was completed in 2017 and the second firm well is planned to be drilled during 2019.

*PL889:* The license is located in Blocks 6507/8 and 6507/9 in the Norwegian Sea and contains the Grind and Zamba oil prospects. The license was awarded on 10 February 2017 and is valid until 10 February 2019. The work program involves acquiring and reprocessing 3D seismic.

*PL902:* DNO entered the license through a swap deal with Lundin in June 2018. The license is located in the Blocks 7120/1, 7120/2, 7120/3, 7120/4, 7120/5 and 7120/6 in the Barents Sea and contains the Komse West oil prospect. The license was awarded on 10 February 2017 and is valid until 10 February 2020. The work program involves acquiring and/or reprocessing of 3D seismic. The operator indicates the possibility of drilling of a well in 2019 or 2020.

*PL921:* The license is located in Blocks 32/4 and 32/7 in the North Sea and contains the Gladsheim oil prospect. The license was awarded on 2 March 2018 and is valid until 2 March 20120. The work program involves drilling a well in 2019.

*PL922:* The license is located in Block 30/3 in the North Sea and contains the Irpa and Freya oil prospects. The license was awarded on 2 March 2018 and is valid until 2 March 20120. The work program involves reprocessing of 3D seismic. The operator is currently completing seismic interpretation and a reservoir quality study.

*PL923:* The license is located in Blocks 31/1 and 31/2 in the North Sea and contains the Derrick and Atomic Blonde oil prospects. The license was awarded on 2 March 2018 and is valid until 2 March 2020. The work program involves reprocessing of 3D seismic. The operator is currently completing seismic interpretation.

*PL924:* The license is located in Blocks 31/1, 31/2, 32/1 and 35/12 in the North Sea and contains the Inge Injectite oil prospect. The license was awarded on 2 March 2018 and is valid until 2 March 2020. The work program involves geology and geophysics studies. The operator is currently completing seismic interpretation.

*PL926:* The license is located in Blocks 33/9, 33/12 and 34/10 in the North Sea and contains the Blue Libelle and Red Snapper oil prospects. The license was awarded on 2 March 2018 and is valid until 2 March 2020. The work program involves geology and geophysics studies. The operator is currently completing seismic interpretation.

*PL929:* The license is located in Blocks 35/6 and 36/4 in the North Sea and contains the Mycroft oil prospect. The license was awarded on 2 March 2018 and is valid until 2 March 2020. The work program involves reprocessing of 3D seismic. The operator is currently completing seismic interpretation.

*PL931:* The license is located in Blocks 34/6, 34/9, 35/4 and 35/7 in the North Sea and contains the Songesand gas prospect. The license was awarded on 2 March 2018 and is valid until 2 March 2019. The work program involved geology and geophysics studies. The Songesand prospect is planned to be drilled during 2019.

*PL943:* The license is located in Blocks 6507/1, 6507/2, 6607/10, 6607/11 and 6607/12 in the Norwegian Sea and contains the Sunstone and Firestone gas prospects. The license was awarded on 2 March 2018 and is valid until 2 March 2020. The work program involves reprocessing of 3D seismic. Reprocessing of 3D seismic is ongoing.

*PL950:* DNO entered the license through a swap deal with Lundin in June 2018. The license is located in Blocks 7020/1, 7020/2 and 7120/11 in the Barents Sea, and contains the Akkar oil prospect. The license was awarded on 2 March 2018 and is valid until 2 March 2020. The work program involves acquiring and/or reprocessing of 3D seismic. Reprocessing of 3D seismic is ongoing.

*PL951:* The license is located in Blocks 7021/5, 7021/6, 7021/8, 7021/9, 7022/4 and 7022/5 in the Barents Sea and contains the Halti oil prospect. The license was awarded on 2 March 2018 and is valid until 2 March 2020. The work program involves acquiring and/or reprocessing of 3D seismic. Reprocessing of 3D seismic is ongoing.

*PL953:* The license is located in Blocks 7022/2, 7022/3, 7022/5, 7022/6, 7123/1, 7022/2, and 7022/4 in the Barents Sea and contains the Valkyrie oil prospect. The license was awarded on 2 March 2018 and is valid until 2 March 2022. The work program involves acquiring and/or reprocessing of 2D seismic and 3D seismic. Processing of recently acquired 2D seismic data is ongoing.

#### *5.3.4.9 Production Licenses on the UKCS*

The Petroleum Act 1998 establishes the regulatory regime applying to oil and gas exploration and production in the UK. All rights to petroleum vest in the Crown, but the Oil and Gas Authority (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 Joint Operating Agreement 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 Department for Business Energy and Industrial Affairs (BEIS) through the Petroleum Act 1998. Decommissioning obligations arise when the OGA issues a Section 29 notice on license holders requiring the submission of a decommissioning program. The section 29 holders are then obliged to carry out the approved decommissioning plan on a joint and several basis, and a failure to comply is a criminal offence. As the objective of the regime is to shield the UK taxpayers from decommissioning costs, the OGA may serve a section 29 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 OGA. 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.

##### *5.3.4.10 Summary of the Group`s license portfolio on the UKCS*

DNO currently holds one exploration license in the United Kingdom.

*P2074:* The license was entered via a farm-in with Chrysaor in 2015. The Mustard oil discovery was discovered later in 2015. The work program is completed and there are no commitments remaining. The current second term end on 31 December 2020. The partners are evaluating a potential appraisal well on the Mustard discovery. There is a commitment to permanently plug the well if the license is relinquished.

##### *5.3.4.11 Faroe Petroleum*

On 8 January 2019, DNO announced its final cash offer for the entire issued and to be issued share capital of Faroe Petroleum plc at 160 pence per share. The final offer, which values Faroe's fully diluted share capital at GBP 633.5 million, became unconditional in all respects on 11 January 2019.

Faroe is focused on exploration, appraisal and production activities in Norway and the UK. As of 31 December 2017, Faroe had stated 2P reserves of 97.7 MMboe and 2C resources of 78.6 MMboe; 2017 daily production averaged 14,349 boepd.

## 5.4 Legal proceedings

During the normal course of its business, the Company can be involved in disputes and some are currently ongoing. Other than what is described in the Annual Report 2017 - note 17 in the consolidated accounts, in the past 12 months, there have been no governmental, legal or arbitral proceedings (including any such proceedings which are pending or threatened of which the Company is aware) which, may have, or have had, significant effects on the Group's financial position or profitability.

## 5.5 Material contracts

No company within the Group has entered into any material contracts outside the ordinary course of business which could result in any company within the Group being under an obligation or entitlement that is material to the Group's ability to meet its obligations 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 assets 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 health, safety, security and environment ("HSSE") committee.

The management 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 consist 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 2019 |
| Lars Arne Takla ................................ | Deputy Chairman | 2012 | AGM 2019 |
| Elin Karfjell ....................................... | Board member | 2015 | AGM 2019 |
| Gunnar Hirsti .................................... | Board member | 2007 | AGM 2019 |
| Shelley Watson ................................. | Board member | 2010 | AGM 2019 |

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

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

Mr. Mossavar-Rahmani serves concurrently as Executive Chairman of Oslo-listed RAK Petroleum plc, DNO’s largest shareholder. 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 DNO’s Board of Directors in 2012 and is a member of the HSSE committee.

**Elin Karfjell (Director)**

Elin Karfjell is Managing Partner of Atelika AS and has held various management positions across a broad range of industries.

Ms. Karfjell 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, Sevan Drilling Limited 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 DNO'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, which is listed on the Oslo Stock Exchange, for eight years. Mr. Hirsti holds a degree in drilling engineering from Tønsberg Maritime Høyskole in Norway. He was elected to DNO'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 PCL 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 DNO'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 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. RAK Petroleum plc is DNO's largest shareholder and DNO's Executive Chairman Bijan Mossavar-Rahmani also serves as Executive Chairman of RAK Petroleum plc and is the largest shareholder in RAK Petroleum plc. Shelley Watson is the Chief Operating Officer and Chief Financial Officer of RAK Petroleum plc.

## 6.3 Management

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

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

| Name | Current position within the Group | Employed with the Group since |
|---|---|---|
| Bjørn Dale ................................ | Managing Director | 2011 |
| Haakon Sandborg ...................... | Chief Financial Officer | 2001 |
| Ute Quinn ................................. | General Counsel and Corporate Secretary | 2017 |
| Chris Spencer............................. | Commercial Director | 2017 |
| Nicholas Whiteley ....................... | Exploration Director | 2015 |
| Jon Sargeant.............................. | Managing Director DNO Technical Services AS | 2008 |

**Bjørn Dale (Managing Director)**
Mr. Dale joined DNO in 2011. He holds a Master of Law degree from the University of Oslo and an Executive MBA from the Stockholm School of Economics.

**Haakon Sandborg (Chief Financial Officer)**
Mr. Sandborg joined DNO 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 (General Counsel)**

Ms. Quinn joined DNO 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 Juris Doctor from Temple University School of Law.

**Chris Spencer (Commercial Director)**

Mr. Spencer joined DNO 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. Mr. Spencer is a Chartered Engineer with the Institution of Chemical Engineers in the United Kingdom.

**Nicholas Whiteley (Exploration Director)**

Dr. Whiteley joined DNO in 2015 from Cairn India, where he served as General Manager of Exploration. 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.

**Jon Sargeant (Managing Director DNO Technical Services AS)**

Mr. Sargeant joined DNO in 2008. He previously served in various drilling and technical management roles at Norsk Hydro for more than 30 years. Mr. Sargeant holds a Bachelor's degree from the University of Manchester in Chemical Engineering.

The Company's registered business address, Dokkveien 1, N-0250 Oslo, Norway, serves as the business address for the members of the management in relation to their employment with the Group.

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, 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, Kåre Tjønneland and Anita Marie Hjerkinn Aarnæs. 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 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, 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.

## 6.8 Corporate governance

The Company has adopted and implemented a corporate governance regime which complies with the Norwegian Code of Practice for Corporate Governance dated 17 October 2018 (the "Corporate Governance Code"), with the following exceptions:

In relation to Section 14 *"Takeovers"*, the Company has not established guiding principles for takeover bid situations. In the event of a takeover bid, the board of directors has a responsibility to ensure that business activities are not disrupted unnecessarily. The board of directors also has a responsibility to ensure that shareholders have sufficient information and time to assess any such bid. Should this situation arise, the board of directors would undertake an evaluation of the proposed bid terms and provide a recommendation to the shareholders as to whether or not to accept the proposal. The recommendation statement should clearly state whether the board of directors' evaluation is unanimous and the reasons for any dissent.

# 7 FINANCIAL INFORMATION

## 7.1 General

The Company has prepared audited consolidated financial statements as of and for the years ended 31 December 2017 and 2016 in accordance with IFRS (the "Financial Statements") and unaudited consolidated interim financial statements as of and for the three and nine months ended 30 September 2018, with comparable figures as of and for the three and nine months ended 30 September 2017, in accordance with IAS 34 (the "Interim Financial Statements"). The Financial Statements and the Interim Financial Statements are incorporated by reference hereto, see Section 8.3 "Incorporation by reference".

## 7.2 Selected financial information

The following selected financial information has been extracted from the Financial Statements and the Interim Financial Statements. The selected consolidated financial information should be read in connection with, and is qualified in its entirety by reference to, the Financial Statements and the Interim Financial Statements incorporated by reference hereto.

| *In USD millions* | **Third quarter (unaudited)** | | **First nine months (unaudited)** | | **Full year (audited)** | |
|---|---|---|---|---|---|---|
| | **2018** | **2017** | **2018** | **2017** | **2017** | **2016** |
| **Selected statement of comprehensive income** | | | | | | |
| Gross profit | 76.9 | -6.4 | 216.7 | 86.2 | 145.2 | 73.1 |
| Profit/-loss from operating activities | 70.6 | 468.8 | 146.8 | 495.4 | 521.1[8] | 6.1 |
| Profit/-loss before income tax | 57.5 | 457.6 | 107.8 | 460.2 | 475.1 | -33.3 |
| Net profit/-loss | 63.0 | 462.7 | 124.0 | 464.5 | 495.0 | -35.3 |
| Items that may be reclassified to profit or loss in later periods | 0.3 | 0.5 | 0.3 | 0.5 | -0.4 | |
| Items that are not reclassified to profit or loss in later periods | 35.3 | 6.4 | 54.4 | 5.6 | 3.4 | 3.2 |
| Total comprehensive income, net of tax | 98.7 | 469.6 | 178.7 | 470.6 | 498.0 | -32.1 |

| *In USD millions* | **Three months ended 30 September (unaudited)** | | **Nine months ended 30 September (unaudited)** | | **Year ended 31 December (audited)** | |
|---|---|---|---|---|---|---|
| | **2018** | **2017** | **2018** | **2017** | **2017** | **2016** |
| **Selected balance sheet** | | | | | | |
| Total non-current assets | 1,084.7 | 918.3 | 1,084.7 | 918.3 | 916.0 | 533.9 |
| Total current assets | 720.5 | 501.3 | 720.5 | 501.3 | 499.1 | 435.9 |
| Total assets | 1,805.2 | 1,419.6 | 1,805.2 | 1,419.6 | 1,415.1 | 969.8 |
| Total equity | 1,028.8 | 848.5 | 1,028.8 | 848.5 | 875.9 | 401.9 |
| Total non-current liabilities | 633.9 | 419.8 | 633.9 | 419.8 | 418.5 | 529.0 |
| Total current liabilities | 142.5 | 151.3 | 142.5 | 151.3 | 120.7 | 38.8 |
| Total equity and liability | 1,805.2 | 1,419.6 | 1,805.2 | 1,419.6 | 1,415.1 | 969.8 |

| *In USD millions* | **Third quarter (unaudited)** | | **First nine months (unaudited)** | | **Full year (audited)** | |
|---|---|---|---|---|---|---|
| | **2018** | **2017** | **2018** | **2017** | **2017** | **2016** |
| **Selected statement of cash flows** | | | | | | |
| Net cash from/-used in operating activities | 126.2 | 38.1 | 302.7 | 249.6 | 337.4 | 62.0 |
| Net cash from/-used in investing activities | -46.1 | -29.6 | -282.2 | -99.8 | -127.8 | -36.4 |
| Net cash from/-used in financing activities | -23.8 | 10.0 | 189.5 | -11.9 | -40.5 | -2.1 |
| Cash and cash equivalents at the end of the period | 640.2 | 399.0 | 640.2 | 399.0 | 430.2 | 261.1 |

## 7.3 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 auditors' reports on the Financial Statements

[8] Includes recognition of the Receivables Settlement Agreement as other income past oil sale of USD 556.0 million.

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.

### 7.4 Debt distribution and instalment schedule

The outstanding interest-bearing debt in the Company are the bonds DNO01 (ISIN NO0010740392) and DNO02 (ISIN NO0010823347). The DNO01 bond loan matures on 18 June 2020 and the DNO02 bond loan matures on 31 May 2023.

### 7.5 Investments

#### *7.5.1 Ongoing and committed investments*

As of the date of this Registration Document, DNO has fulfilled most of its work obligations pursuant to the terms of the relevant licenses. The cost and timing of the remaining obligations are contingent on future business conditions and it is therefore difficult to predict the amounts and timing of these work obligations.

DNO's development investments are mostly related to maintenance and development of the Tawke license fields in Kurdistan and are contingent on receipt of payment from the KRG and market conditions.

DNO’s capital expenditures were USD 91.5 million in the first nine months of 2018, with an additional USD 47.8 million of estimated investments during the last three months of 2018, mainly related to drilling of production wells and development of production infrastructure. A similar nature of investments were made since the end of the year and up until the date of the Registration Document. Total capital expenditure in 2017 stood at USD 130.4 million, compared to USD 36.4 million during 2016. Most of the investments were related to drilling activities in Kurdistan and Oman.

The above investments are expected to be financed through cash flow from operations, existing cash balances or debt financing.

#### *7.5.2 Historical Investments*

Over the last several years, DNO has made capital investments in the range of USD 100 million to USD 300 million per annum.

### 7.6 Significant change in the Group's financial or trading position

There has been no significant change in the financial or trading position of the Group since the date of the Interim Financial Statements.

### 7.7 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.

### 7.8 Recent events relevant to evaluation of solvency

There have been no recent events particular to the Group which are to a material extent relevant to the evaluation of the Company's solvency.

# 8 ADDITIONAL INFORMATION

## 8.1 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 (expect public holidays) for a period of 12 months from the date of this Registration Document:

- The Company's certificate of incorporation and articles of association;
- All reports, letters, and other documents, historical financial information, 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;
- The historical financial information of the Company for each of the two financial years preceding the publication of the Registration Document; and
- This Registration Document.

## 8.2 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.

## 8.3 Incorporation by reference

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

In section 5.5 in this Registration Document information regarding legal disputes are incorporated by reference to the Company's Annual Report 2017 note 17 in the consolidated accounts.

The Company incorporates by reference the Company's audited consolidated financial statements as of and for the years ended 31 December 2017 and 2016, as well as certain other documents specified below.

| Section in the Registration Document | Disclosure requirements of the Registration Document | Reference document and link | Page (P) in reference document[9] |
|---|---|---|---|
| Section 7 | Audited historical financial information (Annex IV, Section 13.1) | **DNO ASA – Financial Statements 2017**:<br>http://hugin.info/36/R/2176290/839546.pdf<br>**DNO ASA – Financial Statements 2016**:<br>http://hugin.info/36/R/2088042/788178.pdf | P18 – P57<br>P18 – P54 |
| Section 7 | Audit report (Annex IV, Section 13.3.1) | **DNO ASA – Auditor's report 2017**:<br>http://hugin.info/36/R/2176290/839546.pdf<br>**DNO ASA – Auditor's report 2016**:<br>http://hugin.info/36/R/2088042/788178.pdf | P72 – P75<br>P68 – P71 |
| Section 7 | Accounting policies (Annex IV, Section 13.1) | **DNO ASA – Accounting principles**:<br>http://hugin.info/36/R/2176290/839546.pdf | P22 – P30 |
| Section 7 | Interim financial information (Annex IV, Section 13.5) | **DNO ASA – Q3 2018 Interim Results Report**:<br>http://hugin.info/36/R/2223048/871438.pdf | P1 – P22 |

[9] The original page number as stated in the reference document.

# 9 DEFINITIONS AND GLOSSARY

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

| | |
|---|---|
| bopd ............................... | Barrels of oil per day. |
| boepd...................................... | Barrels of oil equivalent per day. |
| Bond Terms ............... | The bond agreement dated 31 May 2018 between DNO ASA and the Bond Trustee describing the rights and obligations associated with the Bonds. |
| Bond Trustee.................... | Nordic Trustee AS, a Norwegian trust company acting on behalf of the subscribers to the Bonds. |
| Bonds.............................. | 8.75 percent DNO ASA senior unsecured callable USD 400,000,000 bond issue 2018/2023. |
| Commercial discovery........ | Has the meaning assigned to it in the licenses, generally a discovery that is potentially commercial when considering all technical, operational, commercial and financial factors, all in accordance with prudent international petroleum industry practices. |
| Corporate Governance Code............................... | The Norwegian Code of Practice for Corporate Governance dated 30 October 2014. |
| Crude oil .......................... | A mixture that consists mainly of pentanes and heavier hydrocarbons, which may contain sulfur and other non-hydrocarbon compounds, that is recoverable at a well from an underground reservoir and that is liquid at the conditions under which its volume is measured or estimated. It does not include solution gas or natural gas liquids. |
| EU ................................. | The European Union. |
| E&P ................................. | Exploration and production. |
| Financial Statements ......... | The Company's audited consolidated financial statements as of and for the years ended 31 December 2017 and 2016. |
| Interim Financial Statements ...................... | The Company's unaudited consolidated interim financial statements as of and for the three and nine months ended 30 September 2018, with comparable figures as of and for the three and nine months ended 30 September 2017. |
| Managers ................. | Pareto Securities AS, Danske Bank (Norway) and SpareBank 1 Markets AS. |
| Natural gas ...................... | A mixture of light hydrocarbons that exist either in the gaseous phase or in solution in crude oil in reservoirs but are gaseous at atmospheric conditions. Natural gas may contain sulfur or other non-hydrocarbon compounds. |
| NFSA ............................... | The Financial Supervisory Authority of Norway *(Finanstilsynet)*. |
| Norwegian Public Limited Companies Act ................. | The Norwegian Public Limited Companies Act of 13 June 1997 no. 45 (*allmennaksjeloven*). |
| OPEC............................... | Organization of the Petroleum Exporting Countries. |
| Oslo Stock Exchange ......... | The Oslo Stock Exchange, a stock exchange operated by Oslo Børs ASA. |
| 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. |
| 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. |
| Registration Document ...... | This registration document dated 4th February 2019. |
| Securities Note ................. | The securities note dated 4th February 2019. |
| Summary......................... | The summary dated 4th February 2019. |
| U.S. Securities Act ............ | U.S. Securities Act of 1933, as amended. |
| USD ............................... | United States dollar, the lawful currency of the United States. |