ANNUAL STATEMENT OF RESERVES 2014
DNO ASA

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1 Introduction and summary

1.1 Introduction

This reserves and resource evaluation report has been prepared in accordance with the Oslo Stock Exchange listing and disclosure requirements, circular no. 4/2013.

The report provides the status of hydrocarbon reserves and contingent resources as of 31 December 2014 for the license portfolio of DNO ASA (DNO or Company). International petroleum consultants DeGolyer and MacNaughton (D&M) have carried out an independent assessment of the majority of the Company's assets. The Company has internally assessed the remaining assets.

1.2 Summary

As of 31 December 2014, DNO's remaining Proven and Probable (2P) company working interest (CWI) reserves are estimated at 480.5 million barrels of oil (MMbo) and other liquids, and 17.5 billion cubic feet (Bcf) of gas, resulting in 483.6 million barrels of oil equivalent (MMboe) on an aggregate basis. These volumes represent the Company's commercial reserves, class 1-3, under the Norwegian Petroleum Directorate (NPD) classification. The comparable figure as of 31 December 2013 was 541.9 MMboe.

Total 2P reserves and 2C Contingent Resources on a CWI basis, corresponding to class 1-7 under the NPD classification, are estimated at 590.3 MMboe at year-end 2014, down from 641.3 MMboe from the prior year.

2 Operational highlights 2014

DNO's CWI oil and gas production rose 76 percent year-on-year to a record 68,958 boepd in 2014, up from 39,170 boepd in 2013. Production growth was driven primarily by the Tawke field in Kurdistan, where output grew to 58,414 boepd on a CWI basis, while Oman and Yemen CWI production stood at 7,839 and 2,705 boepd, respectively.

2.1 Kurdistan region of Iraq

Five horizontal wells were drilled at Tawke in 2014, bringing the total number of wells at the field to 28, with 26 on production. Tawke-24 and Tawke-26 were completed in the second quarter, followed by Tawke-25 in the third quarter. Tawke-28 and Tawke-27 were both completed in the fourth quarter.

During 2014, the company also commenced its second 3D seismic acquisition program at the Tawke field, designed for detailed production monitoring and planning of new infill production wells. Additional objectives are to obtain better coverage of the northern flank of the field as well as improved imaging of the Tertiary Jeribe and Euphrates reservoirs. This new information will also improve data quality of the Tawke deep prospect horizons.

Drilling of Tawke-30, the last well in the current drilling campaign, will be completed in the first quarter of 2015. Total field production and processing capacity at Tawke is expected to reach 200,000 bopd in early 2015.

To transport the increased output, a new 24-inch pipeline was installed on time and on budget along the same route as the existing 12-inch pipeline which connects the central processing facility at Tawke to the Fish Khabur export facility.

Elsewhere on the license, the company is further processing 3D seismic data at the Peshkabir field ahead of new drilling. The Peshkabir field is currently estimated to contain over 225 million barrels in gross unrisked prospective resources.

At the Dohuk license, DNO started up the Summail gas field in 2014, but deliverability from the field remains significantly lower than initially expected. Gas sales to the power plant commenced in late May from Summail-1, one of three wells drilled at the field. A second well, Summail-3, was completed in the first quarter, followed by a third well, Summail-2, in the third quarter. Summail-1 is currently producing intermittently.

At the Erbil license, recent testing and appraisal have indicated higher volumes of oil-in-place for the Benenan heavy oil field in excess of two billion barrels. Further testing of the Najmeh interval is underway at the Benenan-4 and Erbil-2 wells. Interference test data for Erbil-2 showed excellent communication in parts of the reservoir.

2.2 Yemen

Due to Yemen's security environment, all new exploration activities remain suspended. While production in Yemen is ongoing at the older fields, a Block 47 production startup at the Yaalen field is on hold, as is appraisal of the Meshgha discovery at Block 32. Production averaged 6,792 bopd (2,705 bopd on a CWI basis) in 2014. This included 1,624 bopd in 2014 (646 bopd on a CWI basis) at Block 32; 1,285 bopd (831 bopd on a CWI basis) at Block 43; and 3,883 bopd (1,228 bopd on a CWI basis) at the non-operated Block 53.

2.3 Oman

At Block 8, DNO operates Oman's only producing offshore fields, Bukha and West Bukha, where combined gross production totaled 15,678 boepd in 2014 (7,839 boepd on a CWI basis). A new development well is under consideration to increase West Bukha oil and gas output. At the onshore Block 36, DNO continues to identify drilling targets.

2.4 Ras Al Khaimah

Following the farm-down of 30 percent of the company's working interest in the RAK Onshore exploration license to Edison International Spa in April 2014, a detailed technical study of the block was initiated, including reprocessing existing seismic data. The Saleh field continues to produce small volumes of gas and liquids on an intermittent basis.

2.5 Tunisia

At the Sfax Offshore Exploration Permit, the Jawhara-3 well was spudded in October and vertically drilled to a total depth of 2,815 meters. The Douleb and Bireno formations proved to be water bearing in compartments of the structure targeted by the well. Two other secondary objectives had oil shows. Further analysis of logging and testing results are being performed to re-evaluate Jawhara field oil-in-place estimates.

3 MD&A

3.1 Disclaimer

The report, including this Management's Discussion and Analysis (MD&A), contains and was prepared, *inter alia*, on the basis of forward-looking information and statements. Such information and statements are based on management's current assumptions, expectations, estimates and projections and are therefore subject to risks and uncertainties that could cause actual results, performance or events to differ materially. The Company can give no assurance that those assumptions, expectations, estimates and projections will occur or be achieved and readers should not place undue reliance on forward-looking statements. Forward-looking statements are generally identifiable by their use of terms such as "expect", "believe", "estimate", "may", "plan", "could", "will", "intend", "schedule" and similar terms or expressions. There are a number of factors that could cause actual results or events to differ materially from those underlying forward-looking information and statements. These factors include, among others: technical, geological and

geotechnical conditions; economic and market conditions in or affecting the geographic areas and industries that are or will be major markets for DNO; oil and gas price fluctuations; market acceptance of new products and services; changes in laws and governmental regulations; political risks, including the risks of expropriation and renegotiation of the terms of contracts with governmental entities; delays or advancements in the approval of projects and delays in the reimbursement for shared costs; the risk of doing business in developing countries and countries subject to international sanctions; fluctuations in interest rates or currency exchange rates; and other such factors that may be discussed from time to time in the MD&A. All forward-looking statements contained in the report, including this MD&A, are expressly qualified in their entirety by the cautionary statements contained in this disclaimer. Additionally, DNO makes no representation or warranty, expressed or implied, as to the accuracy, reliability or completeness of these forward-looking statements and the MD&A, and neither DNO nor any of its directors, officers or employees will have any liability to the readers resulting from reliance on these forward-looking statements and this MD&A.

3.2 Assumptions and methodology

DNO's reserve updates are done in accordance with standard guidelines advised by the Society of Petroleum Engineers (SPE)[1,2] and comply with the Oslo Stock Exchange disclosure requirements, circular no. 4/2013.

The estimation and auditing of reserves are undertaken in accordance with generally accepted engineering and evaluation principles. It should be noted that reserves information is imprecise due to inherent uncertainties in—and the limited nature of—data upon which the reserves are predicated.

DNO has a reserves review committee, consisting of competent professional geoscientists, engineers and economists to facilitate the reserve review and reporting process and ensure compliance with standards and procedures. The committee collects and coordinates the review of all technical data, and provides a full report of the Company's reserves and resources to the Managing Director for review and approval.

For the 2014 reporting, D&M has carried out the reserve assessment for the following DNO assets:

- Kurdistan: Tawke, Bastora, Benenan and Summail
- Oman: West Bukha
- Tunisia: Sfax and Ras El Besh

The Company has evaluated the remaining assets. Economically recoverable reserves have been calculated based on the input for the technical reserves and economic parameters such as license terms and projected future oil prices.

The reserves reported here are restricted to those volumes expected to be economically recovered prior to the expiry date of the license.

3.3 Oil price

The forward curve for Brent crude as of 31 December 2014, adjusted for quality differences, has been used for economic evaluation of reserves and calculation of net entitlement reserves.

For mature fields with declining production and relatively limited remaining field life, fluctuations in the oil price could have a significant impact on profitability and the economic cut-off point for production.

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[1] For a full description of these guidelines and definitions, see www.spe.org

[2] http://www.spe.org/industry/reserves/docs/Reserves_Audit_Standards_2007

3.4 Ownership

DNO's interest in most licenses in its portfolio is governed by a production sharing agreement, which sets out the manner in which oil and gas produced in the license is to be shared between the government and the holders of that license. Under such an agreement, the ownership of unexploited resources remains with the government whereas exploration and production activities are to be carried out by the license holders.

DNO and its joint venture partners, if any, typically bear all risks and costs of exploration, development and production in these licenses. In return, if exploration is successful, DNO recovers its share of investments and operating costs from what is referred to as 'cost oil', being a percentage of oil and gas produced and sold, after deduction of the government's royalty (if any). In addition to cost oil, DNO is entitled to receive a share of the remaining production, after payment of the royalty and deduction of cost oil, which is normally referred to as 'profit oil'. Profit oil is shared among the government, DNO and its joint venture partners in accordance with percentage(s) set out in the production sharing agreement.

DNO's total entitlement is equal to the sum of its entitlements to cost oil and profit oil and takes into account DNO's share of any cost oil attributable to joint venture partners whose costs have been carried or advanced by DNO.

The government is sometimes entitled to receive a share of oil and gas production as a royalty payment in addition to a percentage of profit oil. In certain cases the government may also have a participating interest in the license itself through a government-controlled enterprise. If so, the government will receive a corresponding share of profit oil through the government-controlled enterprise.

In the Kurdistan region of Iraq, DNO's participating interest in the Tawke PSC is 55 percent. DNO also funds a carried government interest of 20 percent in the license. DNO's share of cost oil therefore is 75 percent, while its share of the profit oil is 55 percent.

DNO's CWI share of production varies in each period, depending on cost oil received during that period. In tables 1 and 3 below, the CWI estimates for licenses in Yemen, Oman and the Kurdistan region of Iraq reflect carried interests in the relevant licenses (if any) and DNO's additional share of cost oil resulting from funding such carried interest.

The volumes of net entitlement in table 2 are based on economic evaluations of the license agreements, and include a volume representing the notional tax paid by the government on behalf of the contractors.

In Ras Al Khaimah, the fiscal structure for DNO's licenses is a tax/royalty regime. No taxes and royalties are paid until the development costs have been recovered, making the threshold field size for commerciality small and enhancing the economics of a field development. DNO's entitlement share under this structure is equal to its participating share.

DNO believes that reporting CWI volumes facilitates comparison of hydrocarbons reserves across countries and regions that have different tax regulations or tax regimes. The volumes shown in table 3 are therefore based on DNO's CWI.

Net entitlement volumes are based on estimates related to future costs and oil prices. The net entitlement volumes may therefore fluctuate over time, even if there are no changes in the underlying reserve figures.

3.5 Independent expert assessment of reserves

D&M has carried out an independent assessment of the majority of the Company's assets. DNO has evaluated the remaining assets. Class 1-3 commercial reserves are estimated based on production profiles applying assumptions defined by DNO.

4 Reserves by field

Volumes classified as reserves are those quantities of oil and gas anticipated to be commercially recovered from known accumulations from a given date to the end of the field life and within the license period. A summary of the remaining 2P reserves per field as of 31 December 2014 is given in table 1 (CWI) and table 2 (net entitlement). Table 3 shows a reconciliation of the changes in the reserves from 31 December 2013 (CWI) with all working interest and net entitlement volumes stated net of royalty.

4.1 Kurdistan region of Iraq

4.1.1 Tawke PSC

Gross 2P reserves for the Tawke field stood at 680.3 MMbbls of oil (421.8 MMbbls on a CWI basis), down from 713.6 MMbbls at year-end 2013. The reduction is due to production in 2014.

Produced volumes from Tawke in 2014 amounted to 33.3 MMbbls (91,255 bopd), with cumulative production at the end of 2014 at 96.7 MMbbls.

At the Peshkabir field, estimated 2P reserves remain unchanged at 32.2 MMbbls (20.0 MMbbls on a CWI basis).

4.1.2 Erbil PSC

Estimates of oil-in-place at the Benenan field in the Erbil license climbed to more than two billion barrels, although in the absence of a comprehensive field development plan, gross 2P reserves remain unchanged at 58.0 MMbbls (27.0 MMbbls on a CWI basis). Gross 2P reserves at the Bastora field are estimated at 11.9 MMbbls (5.5 MMbbls on a CWI basis).

4.1.3 Dohuk PSC

Based on 2014 production behavior, a new evaluation led to no remaining recognized reserves at the Summail gas field.

4.2 Yemen

Due to the falling oil price and the degree of maturity of the producing fields operated by DNO in Yemen, all producing assets are currently operating below economic limit and as such hold no recognized reserves. This includes Tasour and Godah at Block 32 and Nabrajah at Block 43.

As of the end of 2014, CWI 2P reserves for the Yaalen field at Block 47 have been estimated at 6.2 MMbbls on a gross basis (3.0 MMbbls on a CWI basis).

4.3 Oman

As of the end of 2014, gross 2P reserves were estimated at 6.5 MMbbls of oil, condensate and other liquids, and 35.0 Bcf of marketable gas (6.2 MMboe), of which 6.4 MMboe is net to DNO on a CWI basis. This is down from CWI 2P reserves of 10.7 MMboe in 2013 as a result of production and lower oil prices.

5 Contingent resources

Contingent resources are those quantities of oil and gas that are estimated on a given date to be potentially recoverable from known accumulations, but not currently considered to be commercially recoverable, or where a field development plan has not yet been submitted. DNO's reported contingent resources are included as resources class 4 (in the planning phase), class 5 (development likely but undecided) and class 7 (not yet evaluated) under NPD's classification system.

DNO holds a total of 106.7 MMboe in NPD class 4-7 on a CWI basis. The contingent resources are well distributed across the DNO portfolio, with the most significant contributors located in Kurdistan. This includes Peshkabir, Tawke Euphrates, Bastora, Benenan and heavy oil at Summail.

6 Annex

Table 1 – Remaining reserves per field as of 31.12.2014 (CWI)

Reserves gross and company working interest (CWI)										
	Proved (1P)					Proved + Probable (2P)				
Region, License, Field	Gross liquids	Gross Gas		Interest	CWI	Gross liquids	Gross Gas		Interest	CWI
	(MMbbls)	(Bscf)	(MMboe)	(%)	(MMboe)	(MMbbls)	(Bscf)	(MMboe)	(%)	(MMboe)
Developed Assets										
Kurdistan, Tawke PSC, Tawke	319.9			62.0 %	**198.3**	680.3			62.0 %	**421.8**
Oman, Block 8, Bukha	0.4			50.0 %	**0.2**	0.6			50.0 %	**0.3**
Oman, Block 8, West Bukha	4.8	26.7	4.7	50.0 %	**4.8**	6.0	35.0	6.2	50.0 %	**6.1**
Total Developed					**203.3**					**428.2**
	Proved (1P)					Proved + Probable (2P)				
Region, License, Field	Gross liquids	Gross Gas		Interest	CWI	Gross liquids	Gross Gas		Interest	CWI
	(MMbbls)	(Bscf)	(MMboe)	(%)	(MMboe)	(MMbbls)	(Bscf)	(MMboe)	(%)	(MMboe)
Under Development Assets										
Kurdistan, Erbil PSC, Bastora	5.9			46.5 %	**2.7**	11.9			46.5 %	**5.5**
Kurdistan, Erbil PSC, Benenan	17.6			46.5 %	**8.2**	58.0			46.5 %	**27.0**
Kurdistan, Tawke PSC, Peshkabir	5.1			62.0 %	**3.1**	32.2			62.0 %	**19.9**
Yemen, Block 47, Yaalen	3.4			48.5 %	**1.7**	6.2			48.5 %	**3.0**
Total Under development					**15.7**					**55.5**
TOTAL DNO ASA					**219.0**					**483.6**

All volumes represent pre-tax share. Gross volumes include royalty, whereas CWI figures are net to DNO after royalty, and include DNO's share of cost oil attributable to joint venture partners whose costs have been carried or advanced by DNO.

Table 2 – Remaining reserves per field as of 31.12.2014 (net entitlement)

Reserves net entitlement								
	Proved (1P)				Proved + Probable (2P)			
Region, License, Field	**Gross liquids**	**Gross Gas**		**Net entitelment**	**Gross liquids**	**Gross Gas**		**Net entitlement**
	(MMbbls)	(Bscf)	(MMboe)	(MMboe)	(MMbbls)	(Bscf)	(MMboe)	(MMboe)
Developed Assets								
Kurdistan, Tawke PSC, Tawke	319.9			**79.0**	680.3			**128.7**
Oman, Block 8, Bukha	0.4			**0.2**	0.6			**0.3**
Oman, Block 8, West Bukha	4.8	26.7	4.7	**2.5**	6.0	35.0	6.2	**3.2**
Total Developed				**81.7**				**132.2**
	Proved (1P)				Proved + Probable (2P)			
Under Development Assets	**Gross liquids**	**Gross Gas**		**Net entitelment**	**Gross liquids**	**Gross Gas**		**Net entitlement**
	(MMbbls)	(Bscf)	(MMboe)	(MMboe)	(MMbbls)	(Bscf)	(MMboe)	(MMboe)
Kurdistan, Erbil PSC, Bastora	5.9			**1.9**	11.9			**2.8**
Kurdistan, Erbil PSC, Benenan	17.6			**5.8**	58.0			**13.5**
Kurdistan, Tawke PSC, Peshkabir	5.1			**1.3**	32.2			**5.5**
Yemen, Block 47, Yaalen	3.4			**1.2**	6.2			**2.1**
Total Under development				**10.2**				**23.9**
TOTAL DNO ASA				**92.0**				**156.1**

All volumes represent pre-tax share. Gross volumes include royalty, whereas net volumes are after royalty. The net entitlement reserves in Yemen, Oman and Kurdistan are based on economic evaluation of the license agreements and include a volume related to the notional tax paid on behalf of the contractors by the government. The estimates include DNO's share of cost oil attributable to joint venture partners whose costs have been carried or advanced by DNO.

Table 3 – Reserve development (CWI)

Million barrels oil equivalents	**Developed Assets**		**Under development (transitional assets)**		**TOTAL**	
	1P/P90	2P/P50	1P/P90	2P/P50	1P/P90	2P/P50
Balance as of 31.12.2013	**221.5**	**456.9**	**38.9**	**85.0**	**260.4**	**541.9**
Production	-24.9	-24.9			-24.9	-24.9
Acquisitions						
Divestments						
Extentions and discoveries						
New developments						
Revision of previous estimate	6.7	-3.9	-23.1	-29.5	-16.5	-33.4
Balance as of 31.12.2014	**203.3**	**428.2**	**15.7**	**55.5**	**219.0**	**483.6**

The estimates represent DNO's pre-tax share excluding royalty but including DNO's share of cost oil attributable to joint venture partners whose costs have been carried or advanced by DNO.