Registration Document

DNO ASA

8.75 per cent DNO ASA Senior Unsecured Callable Bond Issue 2015/2020

ISIN: NO 0010740392

Date: 8 November 2016

Lead Managers:

ABG Sundal Collier	DNB Markets	Fearnley Securities	Pareto Securities

IMPORTANT INFORMATION

The registration document (the "**Registration Document**") has been prepared by DNO ASA (the "**Company**", and 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 per cent DNO ASA Senior Unsecured Callable Bond Issue 2015/2020" (the "**Bonds**") issued pursuant to the bond agreement dated 17 June 2015 (the "**Bond Agreement**") between the Company and Nordic Trustee ASA (the "**Bond Trustee**"). This Registration Document together with the relevant securities note dated 8 November 2016 (the "**Securities Note**") and the summary dated 8 November 2016 (the "**Summary**") constitute a prospectus. The Financial Supervisory Authority of Norway (*Nw.: 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 8 November 2016. 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.

ABG Sundal Collier ASA, DNB Markets, a part of DNB Bank ASA, Fearnley Securities AS and Pareto Securities AS (jointly, the "**Lead Managers**") have assisted the Company in preparing this Registration Document. The Lead Managers have not verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and the Lead Managers expressly disclaim 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 the Lead Managers, nor on any person affiliated with the Lead Managers 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 the prices of hydrocarbons 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 and local prices of hydrocarbons. Because hydrocarbons are globally traded, the Group is unable to control the prices it receives for the hydrocarbons it produces.

Historically, prices for hydrocarbons 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 hydrocarbons, 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;
- petroleum 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 Central and South 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 hydrocarbons and refined petroleum products.

It is not possible to accurately predict future hydrocarbon price movements. The Group's profitability is determined in large part by the difference between the income received from the hydrocarbons that 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 hydrocarbons. Therefore, lower prices for hydrocarbons may reduce the amount of hydrocarbons that 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 prices of hydrocarbons 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 net capitalized cost of hydrocarbon properties may not exceed their recoverable amount, which is based, in part, upon estimated future net cash flows from hydrocarbon reserves. If the net capitalized costs exceed this limit, the Group must charge the amount of the excess against earnings. If hydrocarbon prices decline, the Group's net capitalized cost of hydrocarbon properties 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

The global economic environment and international market volatility have caused governments and central banks to undertake unprecedented interventions designed to stabilize global and domestic financial systems, stimulate new lending and support structurally important industries and institutions, such as banks, which are at risk of failing. Many developed economies have experienced recessions over the past several years and growth has slowed in many emerging economies with serious adverse consequences for asset values, employment levels, consumer confidence and levels of economic activity. Numerous governments and central banks have responded to these economic conditions by proposing programs to make substantial funds and guarantees available to boost liquidity and confidence in their financial systems. It is not known whether these responses will be effective in addressing the economic and market conditions that exist at present. The impact of the reversal or withdrawal of such programs is also uncertain. 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.

Turmoil in the global financial markets and the potential impact on the liquidity of major financial institutions and sovereigns may have a material adverse effect on the Group's cost of funding and the conditions under which it 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.

Prices for hydrocarbons are affected by global supply and demand, particularly demand in the United States, Europe and Asia (notably China). Changes in the global economic climate could result in lower demand and lower prices for hydrocarbon products, 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 operating 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 in harm to persons involved in such operations. Drilling operations are also vulnerable to natural disasters, including earthquakes, droughts, floods, fires and tropical storms, all of which are outside the Group's control. Oil and gas installations can be exposed to, and even 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 oil and gas revenues are received in USD, while its operational costs are in USD, NOK and EUR, in addition to the local currencies of the countries in which the Group operates – the Iraqi dinar (IQD), the Yemeni rial (YER), the Omani rial (OMR), the United Arab Emirates dirham (AED) and the Tunisian dinar (TND). 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 a material adverse effect on the Group's business, results of operations, financial conditions or prospects.

The Group operates in a competitive industry

The oil and gas industry is competitive in all its 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, hydrocarbon assets, in the marketing of hydrocarbons 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 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 under production sharing contracts/agreements ("**PSCs/PSAs**"), concessions, permits and other authorizations (together "**licenses**") from governmental and local authorities. The ability of the Group to operate its business depends on the granting and validity of such licenses, which may be subject to the discretion of the relevant governmental 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 existing or future 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 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 agreements are valid and the consents necessary for its operations have been obtained, the Company 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 agreements or defending claims of contract 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 convert its exploration licenses into production licenses

The ability of the Group to initiate production following a discovery depends on its ability to convert its exploration licenses into production licenses. Any inability of the Group to convert its licenses 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.

Certain licenses grant rights to explore for hydrocarbons within defined areas and provide for certain commitments (such as exploration and drilling commitments) to be completed within specified timeframes. The Group may be unable to meet the specified deadlines for commitments set out in its exploration licenses 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 exploration licenses.

From time to time, the Group must also maintain, extend and obtain other permits and authorizations in addition to its exploration and production licenses. These include land 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 regulated at international, national and regional levels. These include health, safety and environmental ("**HSE**") laws and regulations governing, 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. The Group is also subject to obligations concerning the decommissioning of operational facilities and the remediation of soil or groundwater at its facilities 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 the prices of hydrocarbons 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 liability 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 liability 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 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 therefrom, 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 oil 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 thereof 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 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 then 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 PSCs, concessions, permits and licenses, the Group has assumed certain liabilities in respect of the decommissioning of some of its fields and related infrastructure and is expected to assume additional decommissioning liabilities in respect of future operations. These liabilities are derived from legislative and regulatory requirements concerning the decommissioning of wells and production facilities 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 will 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 historically been party to disputes and litigation, see Section 5.4 "Legal proceedings". 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 and production operations require significant capital expenditures. This includes, among other things, drilling wells and improving infrastructure and production technology in an effort to improve access, reduce operating expenses and enhance profit margins. In 2014, the Group incurred acquisition and development costs of USD 297.3 million. In 2015, the Group incurred acquisition and development costs of USD 50.7 million. In addition, the Group will incur costs to meet its obligations under environmental laws and regulations, including costs for site restoration, clean-up and abandonment of wells upon completion of their production cycle. 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, 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 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 hydrocarbons. 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 PSCs. 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 governmental 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. Both mismanagement of an asset by the operator or, in the case of assets where the Group is the operator, a failure on the part of the Group's partners in the PSC 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 these 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 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 hydrocarbons could adversely affect the Group's revenues

The Group’s ability to sell hydrocarbons 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.

The ability to export hydrocarbons 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 exports 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 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 appraise, acquire, explore 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 appraisal, acquisition, 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 and development 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-man" 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 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 agents, employees and intermediaries 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.

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 had outstanding unsecured debt in the form of bonds totaling USD 400 million as of 31 December 2015. 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 MENA region

The Group's assets and operations are mostly located in the Middle East and North Africa ("**MENA**") region, namely in the Kurdistan region of Iraq ("**Kurdistan**"), Oman, Tunisia, Yemen, the United Arab Emirates (the "**UAE**") and Somaliland. 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 MENA region. Some of these risks relate to the political, social and economic instability that characterizes the MENA region at this time.

1.3.1 Risks relating to the Group's operations in the MENA region generally

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

Parts of the MENA 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, staff 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 successor regimes 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 MENA 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 have less developed legal systems than those typically seen in established economies. 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.

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.

1.3.2 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 (the "**FGI**") and with neighboring countries such as Turkey, the Group and other international exploration and production 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 oil and gas 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 hydrocarbon exports or recover costs as provided in its PSCs in Kurdistan

As a result of continuing disagreements between the FGI and the KRG, economic conditions Kurdistan and limited available export channels, DNO faces 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.

At the Tawke field in Kurdistan, a temporary local sales arrangement was put in place in 2014. This arrangement did not follow the PSC terms and generated a receivable in favour of the Tawke Contractor. In 2015, the temporary arrangement was revised to more closely align with the PSC terms.

Export sales from Tawke have not followed the PSC terms and there is uncertainty related to both timing of revenue and receipt of payments. A new payment arrangement for exports was announced by the KRG on 1 February 2016 in line with contractual entitlements, but this arrangement was not in place for 2015. There can be no guarantee that the KRG will adhere to the terms of its announced payment arrangement.

The volumes and price of oil that the Group sells on the local market in Kurdistan are subject to guidance from the KRG's Ministry of Natural Resources

All historic sales on the local market have been undertaken in consultation with the KRG's Ministry of Natural Resources and have been subject to the Ministry's overall guidance on volumes and prices. There can be no guarantee that the Group will in the future be permitted by the KRG's Ministry of Natural Resources 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 petroleum products on the local market at adequate prices could have a material adverse effect 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. Such uncertainty could adversely affect the Group's business, results of operations, financial conditions or prospects.

Group 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. 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. The KRG has made several statements in 2016 that it will audit international oil companies operating in the KRI generally and/or audit the Group specifically. However, to date, the timing, scope and methodology of such audits have not been announced.

In the event that these or 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.

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 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 the Group's business, results of operations, financial conditions or prospects.

The Group may be subject to windfall taxes on its hydrocarbon revenues

In many jurisdictions, oil and gas companies are subject to particularly stringent taxation regimes that may impose a comparatively heavy burden on activities within the oil and gas sector. Such taxation regimes are complex and subject to change. In particular, during periods of high profitability, the Group may be subject to windfall taxes on hydrocarbon revenue. Such taxes have been imposed on oil and gas companies in the past and may be imposed again in the future. Any such taxation schemes 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.

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, 8 November 2016

DNO ASA

Bjørn Dale
Managing Director

3 INFORMATION ABOUT THE COMPANY

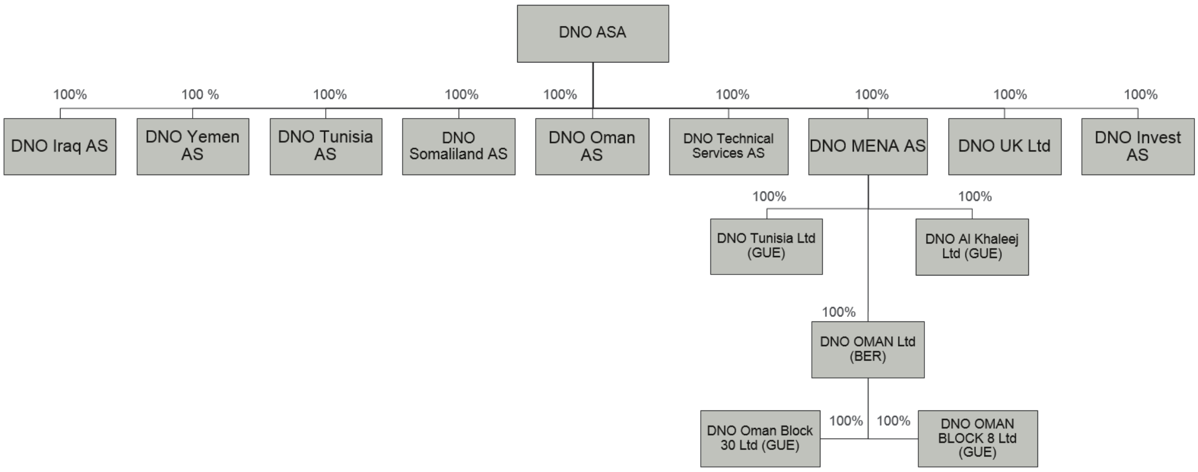
3.1 Company corporate information

The Company's legal name is DNO ASA and its commercial name is DNO. The Company is a Norwegian public limited liability company (*Nw.: 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 telefax 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 at 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 (%):
DNO Iraq AS	Norway	Hydrocarbon extraction and related services	100
DNO Yemen AS	Norway	Hydrocarbon extraction and related services	100
DNO Tunisia 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 Technical Services AS	Norway	Management of hydrocarbon extraction and related services	100
DNO MENA AS	Norway	Management of hydrocarbon extraction and related services	100
DNO Tunisia Ltd	Guernsey	Hydrocarbon extraction and related services	100
DNO Al Khaleej Ltd	Guernsey	Hydrocarbon extraction and related services	100
DNO Oman Ltd	Bermuda	Hydrocarbon extraction and related services	100
DNO Oman Block 8 Ltd	Guernsey	Hydrocarbon extraction and related services	100
DNO Oman Block 30 Ltd	Guernsey	Hydrocarbon extraction and related services	100
DNO UK Ltd	UK	Dormant	100
DNO Invest AS	Norway	Dormant	100

3.3 Share capital

As of the date of this Registration Document, the Company's share capital is NOK 270,953,540.25 divided into 1,083,814,161 shares, each with a nominal value of NOK 0.25. All the shares have been created under the

Norwegian Public Limited Companies Act, and are validly issued and fully paid. The Company has one class of shares.

3.4 Major shareholders

As of 31 October 2016, the Company had 16,667 shareholders and 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	VERDIPAPIRFONDET DNB NORGE (IV)	22,813,438	2.1
3	VERDIPAPIRFONDET DNB NORGE SELEKTI	12,376,813	1.14
4	SWEDBANK GENERATOR	11,846,781	1.09
5	VANGUARD ENERGY FUND-WMC	11,756,553	1.08
6	VERDIPAPIRFONDET HANDELSBANKEN	11,750,000	1.08
7	J.P. MORGAN CHASE BANK N.A. LONDON	11,113,706	1.03
8	JP MORGAN CHASE BANK NA, LONDON	9,846,883	0.91
9	VERDIPAPIRFONDET PARETO INVESTMENT	9,800,000	0.9
10	NORDNET BANK AB	9,716,804	0.9
11	CLEARSTREAM BANKING S.A.	9,130,296	0.84
12	DNB LIVSFORSIKRING ASA	8,971,186	0.83
13	AVANZA BANK AB	7,932,886	0.73
14	DNO ASA	7,700,000	0.71
15	STATOIL PENSJON	6,702,632	0.62
16	STATE STREET BANK & TRUST CO.	6,042,687	0.56
17	STATE STREET BANK AND TRUST CO	5,738,102	0.53
18	NORDEA BANK DANMARK A/S	5,469,140	0.5
19	VPF NORDEA KAPITAL	5,180,544	0.48
20	DANSKE BANK A/S	4,898,759	0.45
	Other..	438,379,418	40.45
	Total..	**1,083,814,161**	**100.0**

RAK Petroleum holds more than 1/3 of the shares in the Company (meaning that RAK Petroleum has negative control over the Company). However, 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 the operation of which could at a subsequent date result in a change of control of the Company.

3.5 Articles of association

The objective of the Company is to carry out petroleum, shipping, offshore, transport, trade, industrial and financing activity and other related activities, and to participate as a shareholder or in other ways in other enterprises. The Company's objectives can be found in Section 3 in the Company's articles of association.

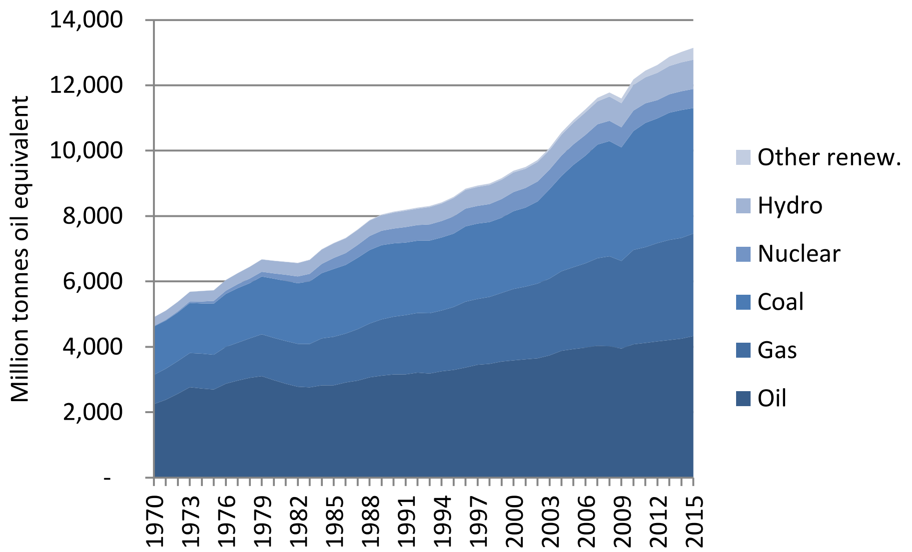
4 INDUSTRY AND MARKET OVERVIEW

4.1 The global energy market

World energy consumption has steadily increased since the industrial revolution, a trend which is expected to continue. Fossil fuels continue to supply more than 85 percent of the world's energy. Oil is the largest energy source, meeting 33 percent of the world's energy consumption, while natural gas accounts for 24 percent and coal for 29 percent.[1]

The world consumption of primary energy – including oil, natural gas, coal, nuclear, hydro power and other renewable energy – increased by 1.0 percent in 2015. Global oil consumption increased by 1.9 million barrels per day or 1.9 percent in 2015.

Figure 1 – Total world energy consumption 1970-2015 – distribution by fuel



Source: BP Statistical Review of World Energy June 2016.

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 71 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.

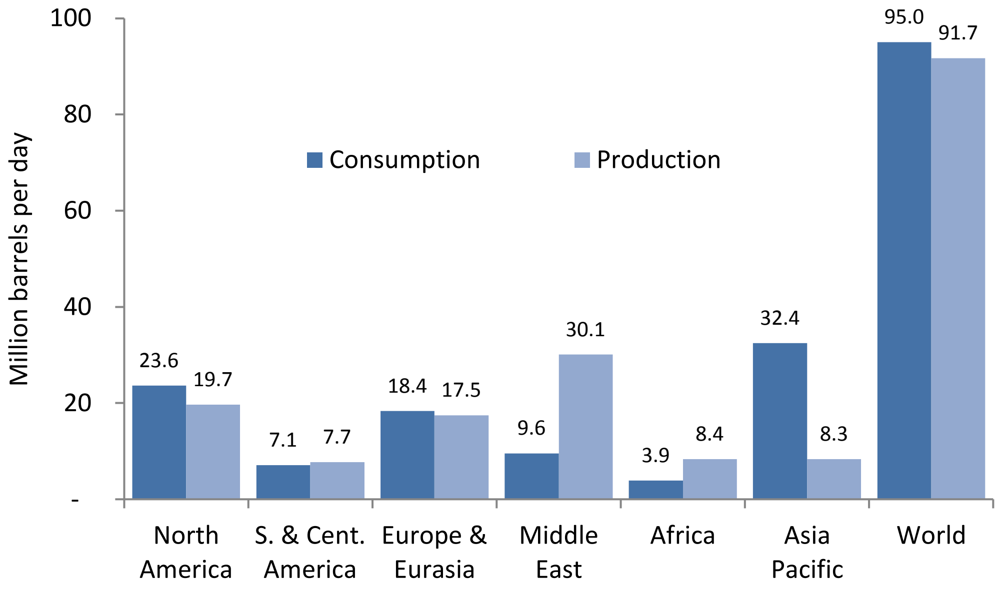
[1] BP Statistical Review of World Energy June 2016.

4.2.1 World oil production, consumption and reserves

World oil consumption in 2015 was approximately 95 million barrels per day, of which Asia Pacific, North America and Europe including Eurasia (most importantly, Russia) accounted for approximately 35 percent, 24 percent and 20 percent, respectively. Consumption in the Middle East was about 9.6 million barrels per day or 9.8 percent of the world total.

The Middle East is the world's largest oil producing region, accounting for almost one-third of the world total. North America is second behind the Middle East, accounting for 21 percent, followed by Europe and Eurasia with 19 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, 2015



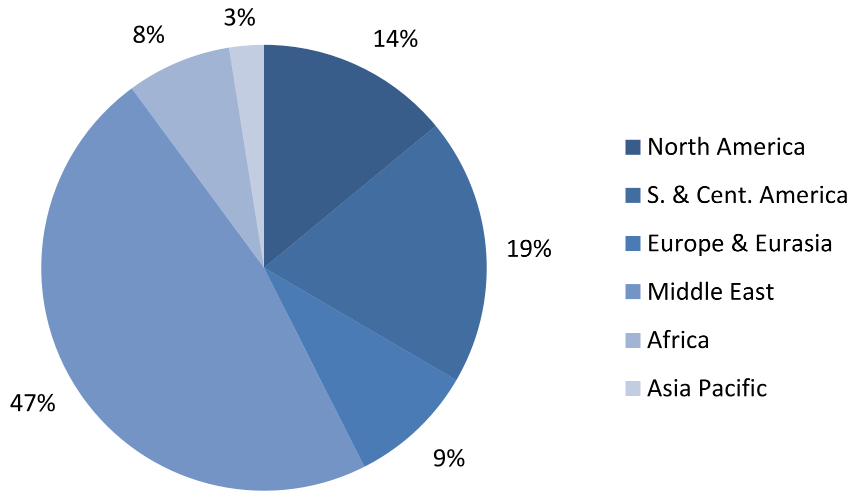
Source: BP Statistical Review of World Energy June 2016.

Worldwide proven oil reserves stood at an estimated 1,698 billion barrels at the end of 2015, sufficient to meet some 51 years of global production at 2015 production levels.

The members of OPEC together held 71.4 percent of total global reserves in 2015. OPEC includes the largest Middle East oil producers, namely Iran, Iraq, Kuwait, Saudi Arabia, Qatar and the UAE, in addition to Algeria, Angola, Libya, Nigeria, Gabon, Ecuador, Venezuela and Indonesia. 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]

[2] BP Statistical Review of World Energy June 2016.
[3] BP Statistical Review of World Energy June 2016.

Figure 3 – Distribution of proven world oil reserves 2015



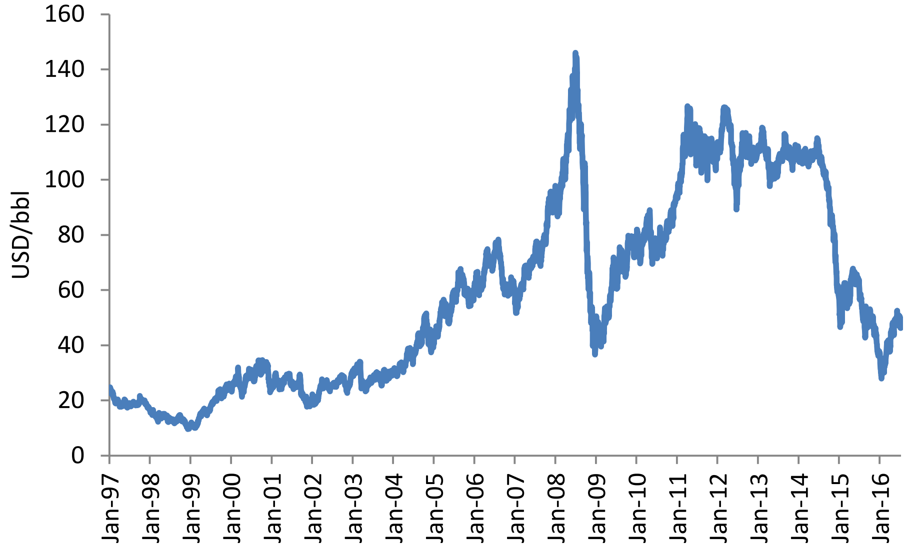
Source: BP Statistical Review of World Energy June 2016.

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/bbl range most of the time. However, during the second half of 2014, oil prices declined steeply and in 2015 Brent averaged USD 54/bbl. Towards the end of 2015 and into 2016, oil prices decreased further and Brent reached a low of USD 28/bbl in January 2016. Since then, prices have recovered and Brent has been relativley steady in a USD 46-53/bbl range since early May 2016.

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 on the basis of 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 13 July 2016.

Figure 4 – Brent oil price, daily from 1 Jan 2000 to 13 Jul 2016



Source: Bloomberg oil price data.

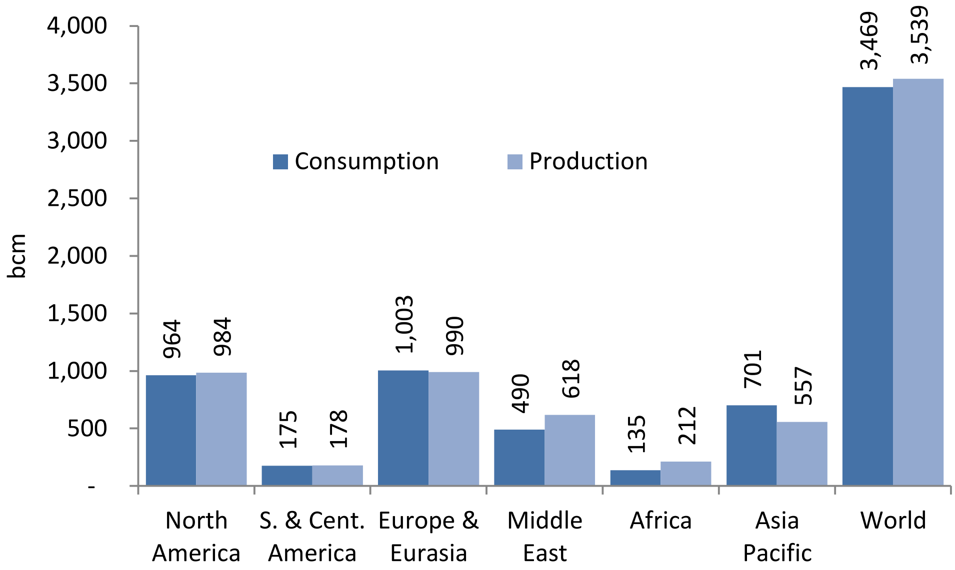
4.3 Overview of the global market for gas

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 2015, total world consumption of gas was approximately 3,469 billion cubic meters ("bcm") of which Europe and Eurasia, North America and Asia Pacific accounted for approximately 29 percent, 28 percent and 20 percent, respectively. Consumption of gas in the Middle East was approximately 490 bcm in 2015, representing approximately 14 percent of the world total. Production in the Middle East exceeded consumption by 128 bcm.

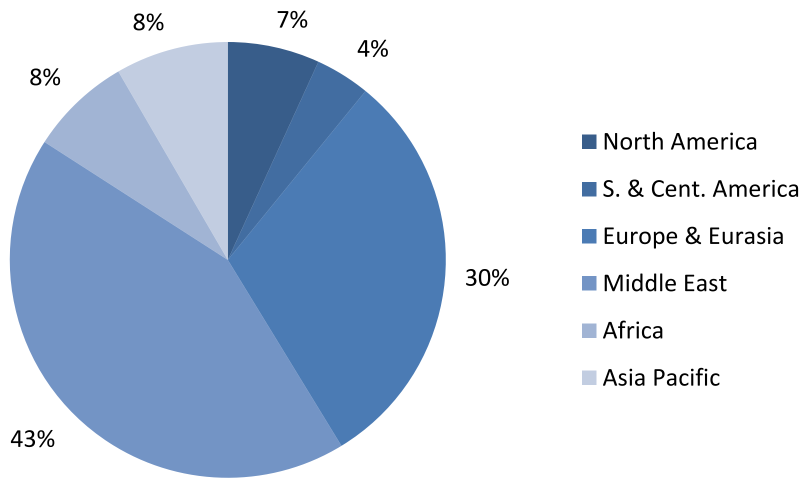
Figure 5 – World gas consumption and production by region, 2015



Source: BP Statistical Review of World Energy June 2016.

Total world proven gas reserves stood at approximately 187 trillion cubic meters at the end of 2015. These reserves are sufficient to meet approximately 53 years of global gas production at 2015 levels. Approximately 43 percent of total world proven gas reserves are located in the Middle East, while Europe and Eurasia contain 30 percent (of which the majority is in Russia and Turkmenistan).

Figure 6 – Distribution of proven world gas reserves, 2015



Source: BP Statistical Review of World Energy 2016.

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.

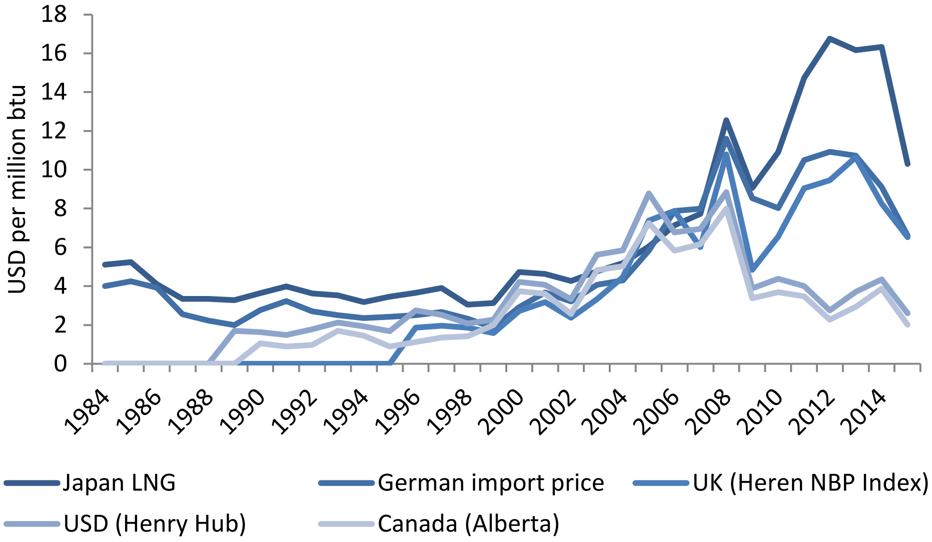
Gas price volatility is significantly higher than oil price volatility. This is primarily due to the fact that gas is more difficult to store than oil, meaning that gas prices are affected by immediate supply and demand within pipeline networks.

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 2016.

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 60 billion barrels in reserves and unproven resources.[4]

The relationships between the KRG and the FGI and neighboring countries are complex, creating challenging legal and operational conditions. Oil production in Kurdistan is controlled by the KRG, a matter of long-standing dispute with the FGI and the FGI has in the past challenged the validity of certain PSCs signed by the KRG. The right to export from Kurdistan is also a matter of contention and the KRG has built its own pipeline infrastructure that allows it to export oil via Turkey independently of the Baghdad government.

A local market for crude oil and refined products exists in Kurdistan and the KRG's Ministry of Natural Resources sets the prices and volumes that can be sold on this market. Prices for these local sales are typically significantly lower than prevailing international prices.

4.4.2 Oman

Among the non-OPEC nations in the Middle East, Oman is the largest oil and gas producer. It produced approximately 981,000 barrels of oil per day and 37.8 billion cubic meters of gas during 2015. 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 2015, the country's total proven oil reserves stood at 5.3 billion barrels and total proven gas reserves at 688 bcm.[5]

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.

Other international companies active in Oman include Occidental Petroleum, BP and DNO.

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[4] EIA Energy (https://www.eia.gov/beta/international/analysis_includes/countries_long/Iraq/iraq.pdf) (March 2016)
[5] BP Statistical Review of World Energy June 2016.

4.4.3 Tunisia

Tunisia is a relatively small hydrocarbon producer in North Africa. Its oil production has steadily decreased from a peak of 120,000 barrels per day in the mid-1980s to 63,000 barrels per day in 2015. Total gas production in 2012 was 1.8 bcm.[6]

At the end of 2015, Tunisia's proven oil reserves were 425 million barrels.[7]

Several international companies are engaged in the Tunisian oil and gas sector. Royal Dutch Shell is the largest gas producer, producing more than 60 percent of all Tunisian gas.[8]

The hydrocarbon industry is regulated by the Ministry of Industry and the country's state owned petroleum company, L'Enterprise Tunisienne d'Activities Petrolieres ("**ETAP**").

4.4.4 Yemen

Compared to many countries in the Middle East, Yemen is not a significant oil producer. Its production averaged only 47,000 barrels per day in 2015. Yemen also had modest gas production totaling 2.7 bcm in 2015.[9] Yemen's oil production has decreased significantly since its 2001 peak, primarily because of natural decline in the country's aging fields.

At the end of 2015, Yemen had proven oil reserves of 3.0 billion barrels and proven gas reserves of 266 bcm.[10] For many years, Yemen re-injected most of its gas production to aid in oil recovery. However, after 2009 the country became an LNG exporter.[11]

Since mid-2015, intense armed conflict has disrupted Yemen's society, economy and government. The vast majority of international oil companies operating in Yemen have suspended their operations or exited the country altogether. Nearly all oil and gas production facilities are currently shut-in, and energy infrastructure has been the target of frequent attacks.

4.4.5 UAE

The UAE is one of the 10 largest oil and gas producers in the world and produced an average of 3.9 million barrels per day of oil and 56 bcm of gas in 2015.[12]

As of 2015, the UAE had the eighth largest proven reserves of oil in the world, at 97.8 billion barrels, and the seventh largest proven reserves of gas in the world, at 6.1 trillion cubic meters. The majority of these reserves are located in Abu Dhabi. Overall, the hydrocarbon industry accounts for approximately 80 percent of the UAE government's revenues.

The UAE consists of seven emirates, each of which is responsible for regulating the oil and gas industry within its borders, creating a mix of production sharing and service contracts. Major international oil companies are involved in the oil and gas sector in the UAE, including BP, Total and ExxonMobil.

4.4.6 Somaliland

Somaliland, situated on the tip of the Horn of Africa, declared independence from Somalia in 1991. However, no country has officially recognized it as a sovereign state. Due to the challenging political and security situation in the region, Somaliland's oil and gas industry remains undeveloped and Somaliland has no proved oil reserves. Onshore Somaliland is a relatively unexplored region, with few exploration wells drilled. The geology and tectonics in the region resemble those seen in Yemen.

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[6] EIA Energy (http://www.eia.gov/beta/international/analysis.cfm?iso=TUN) (October 2015).
[7] BP Statistical Review of World Energy June 2016.
[8] BG: http://www.bg-group.com/assets/files/cms/CountryData/BG_DataBook_Tunisia.pdf (October 2015).
[9] BP Statistical Review of World Energy June 2016.
[10] BP Statistical Review of World Energy June 2016.
[11] EIA Energy (http://www.eia.gov/beta/international/analysis.cfm?iso=YEM) (March 2016).
[12] BP Statistical Review of World Energy June 2016.

5 BUSINESS OVERVIEW

5.1 Overview

DNO is a MENA-focused oil and gas company active in 14 licenses in six countries and regions: the Kurdistan region of Iraq, Oman, Tunisia, Yemen, the United Arab Emirates and Somaliland. DNO is headquartered in Oslo, with offices in Dubai, Erbil, Muscat, Tunis, Ras Al Khaimah and Hargeisa. DNO has a workforce of approximately 750 employees.

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 PSCs. The Tawke PSC contains the producing Tawke field and the Peshkabir oil discovery. The Erbil PSC contains the Benenan and Bastora oil fields. The Dohuk PSC is currently in the process of being relinquished by DNO and its joint venture partner.

In Oman, the Group holds two licenses: Block 8 and Block 36. In Tunisia, it holds three licenses: Sfax and Ras El Besh, Fkirine and Hammamet Offshore. The Group holds three licenses in Yemen: Block 32, Block 43 and Block 47; however, due to Yemen's deteriorating security conditions, DNO has suspended all exploration and production activity and is reviewing its positions as force majeure conditions continue to prevent normal business operations. The Group also holds two licenses in the UAE: Saleh and RAK Onshore. Finally, the Group holds one early stage exploration license in Somaliland.

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. Significantly, the Group is operator of 13 of the 14 licenses in which it holds an interest. Below is an overview of the Group's licenses.

Region/license	Participating interest (percent)	Paying interest (percent)[1]	Operator	Status[2]
Kurdistan				
Tawke PSC	55.0	75.0	DNO	E/A/D/P
Dohuk PSC	40.0	60.0	DNO	R
Erbil PSC	40.0	60.0	DNO	A/D/P
Oman				
Block 8	50.0	50.0	DNO	P
Block 36	75.0	100.0	DNO	E
Tunisia				
Hammamet Offshore	46.0	46.0	MedcoEnergi	E
Fkirine	50.0	100.0	DNO	E
Sfax & Ras El Besh	87.5	100.0	DNO	E/A
Yemen				
Block 32	45.2	47.6	DNO	S
Block 43	85.0	100.0	DNO	S
Block 47	40.0	50.0	DNO	S
UAE				
Saleh	70.0	70.0	DNO	P/D
RAK Onshore	70.0	70.0	DNO	E
Somaliland				
SL-18	50	55.5	DNO	E

1 Under the terms of several 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.

The Group holds its licenses through a number of wholly owned subsidiary companies. Most of the Group's licenses are structured as PSAs or PSC, which govern the manner in which costs and revenues from oil and gas production are shared between the 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 for the year ended 31 December 2015 (the "**ASR**"). The ASR is prepared based on the Petroleum Resources Management System 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, as amended (the "**PRMS**"). 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 basis:

(i) company working interest 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) net reserves are defined as that portion of the gross reserves to be produced from the properties attributable to the interests owned by the Group after deducting interests owned by others.

5.2.3 The Group's reserves and resources

As of 31 December 2015, DNO's Company Working Interest (CWI) proven and probable reserves (2P) and contingent resources (2C) were estimated at 523.1 million barrels of oil equivalent (MMboe), down from 590.3 MMboe at year-end 2014. CWI 2P reserves were estimated at 391.5 MMboe, down from 483.6 MMboe at year-end 2014 after adjusting for CWI production of 32.3 MMboe during the year, a re-categorization of 53.9 MMboe from CWI 2P reserves to CWI 2C contingent resources and other technical revisions of 5.9 MMboe. CWI 2C contingent resources were estimated at 131.6 MMboe, up from 106.7 MMboe at year-end 2014.

Reported 1P reserves fall within class 1-2 of the Norwegian Petroleum Directorate (NPD) classification, 2P reserves fall within class 1-3 of the NPD classification and 2C contingent resources fall within class 4-7 of the NPD classification.

The following table sets forth the reserves remaining per field as of 31 December 2015 on a gross and company working interest CWI basis, derived from DNO's annual statement of reserves for the year ended 31 December 2015 (the ASR), which is prepared based on the PRMS reporting standards.

Remaining reserves at end-2015 (gross and CWI)										
	Proven (1P)					Proven + Probable (2P)				
Region, License, Field	Gross liquids	Gross gas		Interest	CWI	Gross liquids	Gross gas		Interest	CWI
	(MMbbls)	(Bcf)	(MMboe)	(%)	(MMboe)	(MMbbls)	(Bcf)	(MMboe)	(%)	(MMboe)
Developed Assets										
Kurdistan, Tawke PSC, Tawke	387.0			62.0 %	**239.9**	543.0			62.0 %	**336.6**
Oman, Block 8, Bukha	0.3			50.0 %	**0.2**	1.2			50.0 %	**0.6**
Oman, Block 8, West Bukha	1.1	2.3	0.4	50.0 %	**0.7**	2.8	8.4	1.5	50.0 %	**2.1**
Total Developed					**240.8**					**339.4**
	Proven (1P)					Proven + Probable (2P)				
Region, License, Field	Gross liquids	Gross gas		Interest	CWI	Gross liquids	Gross gas		Interest	CWI
	(MMbbls)	(Bcf)	(MMboe)	(%)	(MMboe)	(MMbbls)	(Bcf)	(MMboe)	(%)	(MMboe)
Under Development Assets										
Kurdistan, Erbil PSC, Bastora	0.0			46.5 %	**0.0**	11.3			46.5 %	**5.3**
Kurdistan, Erbil PSC, Benenan	0.0			46.5 %	**0.0**	57.8			46.5 %	**26.9**
Kurdistan, Tawke PSC, Peshkabir	5.1			62.0 %	**3.1**	32.2			62.0 %	**20.0**
Total Under Development					**3.1**					**52.1**
TOTAL DNO ASA					**243.9**					**391.5**

All volumes represent pre-tax shares. 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.

The following table sets forth the reserves remaining per field as of 31 December 2015 on a gross and net entitlement basis, derived from DNO's ASR.

Remaining reserves at end-2015 (gross and net entitlement)								
	Proven (1P)				Proven + Probable (2P)			
Region, License, Field	Gross liquids	Gross gas		Net entitlement	Gross liquids	Gross gas		Net entitlement
	(MMbbls)	(Bcf)	(MMboe)	(MMboe)	(MMbbls)	(Bcf)	(MMboe)	(MMboe)
Developed Assets								
Kurdistan, Tawke PSC, Tawke	387.0			**91.4**	543.0			**135.3**
Oman, Block 8, Bukha	0.3			**0.3**	1.2			**0.8**
Oman, Block 8, West Bukha	1.1	2.3	0.4	**0.5**	2.8	8.4	1.5	**1.5**
Total Developed				**92.1**				**137.6**
	Proven (1P)				Proven + Probable (2P)			
Under Development Assets	Gross liquids	Gross gas		Net entitlement	Gross liquids	Gross gas		Net entitlement
	(MMbbls)	(Bcf)	(MMboe)	(MMboe)	(MMbbls)	(Bcf)	(MMboe)	(MMboe)
Kurdistan, Erbil PSC, Bastora				**0.0**	11.3			**3.2**
Kurdistan, Erbil PSC, Benenan				**0.0**	57.8			**16.2**
Kurdistan, Tawke PSC, Peshkabir	5.1			**1.9**	32.2			**7.5**
Total Under Development				**1.9**				**26.8**
TOTAL DNO ASA				**94.0**				**164.4**

All volumes represent pre-tax shares. Gross volumes include royalty, whereas net volumes are after royalty. The net entitlement reserves in Kurdistan and Oman 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. Article 26.4 of the Tawke PSC provides that the R-factor applied to determine the contractor's entitlement to profit oil shall be based on revenues actually received by the contractor. Accordingly, DNO has applied this principle to calculate its Tawke net entitlement reserves and has used an R-factor based on actual payments received by the contractor for oil delivered from the Tawke field. The Tawke net entitlement reserves are further based on an assumption of full entitlement payment under the PSC for future production through the license period.

The ASR is available on DNO's website at www.dno.no.

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 years ended 31 December 2015 and 2014.

	Year to Q4 2016	Year ended 31 December	
		2015	**2014**
Gross production (boepd)			
Kurdistan	109,159	135,416	95,011
Oman	5,307	8,193	15,678
Yemen	-	883	6,793
Total	**114,466**	**144,492**	**117,482**
Company working interest (CWI) production (boepd)			
Kurdistan	67,919	83,928	58,414
Oman	3,183	4,096	7,839
Yemen	-	387	2,705
Total	**71,101**	**88,411**	**68,958**

5.3.1 Kurdistan

The Group holds interests in three PSCs in Kurdistan: Tawke, Erbil and Dohuk (currently under relinquishment). DNO is the operator of all of its PSCs in Kurdistan.

5.3.1.1 Tawke

The Tawke field is the Group's most significant production asset and accounted for approximately 95 percent of the Group's total company working interest oil production in 2015.

There are two main producing reservoirs in the Tawke field: the Jeribe and the Cretaceous. In addition, the upper Jurassic and Tertiary represent potentially producible reservoirs. A total of 30 wells have been drilled at the Tawke field, of which eight have been drilled in the Jeribe and 22 in the Cretaceous.

Oil produced from the Tawke wells is transported to the Tawke central processing facilities through a gathering network of flowlines and trunklines. These facilities process the reservoir production into sales-quality oil, which is then either made available for local sales at the processing facilities' truck loading station or pumped 42 km via a 12-inch or 24-inch pipeline, both operated by the Group, to Kurdistan’s border with Turkey at Fish Khabur. At Fish Khabur, oil is either made available for local sales at a truck loading station or exported by pipeline to Çeyhan in Turkey. The Tawke processing facilities have the capacity to process 200,000 bopd. The Group has three storage tanks at the processing facilities, with a capacity to store up to 30,000 bbl of processed oil, and aggregate storage capacity at Fish Khabur of 135,000 bbl, bringing total Tawke storage capacity to 165,000 bbl. The Group also has a topping plant at the Tawke field that has the capacity to process 5,500 bopd into diesel, fuel oil and naphtha for local sale.

The Tawke PSC also covers the Peshkabir field, which the Group discovered in 2012. The Company plans to drill the Peshkabir-2 well to appraise a previous Jurassic discovery and explore the Cretaceous zone during the fourth quarter of 2016. If successful, the Peshkabir field can be quickly tied back to existing infrastructure at Fish Khabur only 10 kilometers away.

5.3.1.2 Erbil

The Group's Erbil PSC includes two fields: Bastora and Benenan. Testing has shown high volumes of oil-in-place for the Benenan heavy oil field, currently estimated to hold more than two billion barrels. An appraisal of commercialization of the field is ongoing.

5.3.1.3 Dohuk

The Group is in the process of relinquishing the Dohuk PSC due to a lack of hydrocarbon reserves. There are no costs associated with this relinquishment.

5.3.1.4 Sales

The oil that the Group produces from the Tawke field has either been exported internationally to Çeyhan, Turkey by pipeline or truck or it has been sold locally in Kurdistan. All sales on the local market are undertaken in consultation with the KRG's Ministry of Natural Resources and are subject to the Ministry's overall guidance on volumes and prices. The Ministry of Natural Resources also directs sales of refined products, such as naphtha, diesel, and fuel oil, from topping plants and refineries for sale in the local market.

Local sales of oil produced from the Tawke field and processed through the central processing facilities are transported by external buyers to the local market, using tanker trucks. The maximum loading capacity at the Group's main loading facility at Fish Khabur is 85,000 bopd and the maximum at the processing facilities at Tawke is 40,000 bopd for a total loading capacity of 125,000 bopd. Refined products produced from the topping plant at Tawke are also loaded onto tankers at the processing facilities. For both oil and refined products, custody of the product is transferred upon loading and transport costs are assumed by the buyer. In 2014, local sales represented the main source of revenues for the Group in Kurdistan, accounting for 93 percent of the Group's revenues from Kurdistan and 63 percent of the Group's total revenues.

There was a combination of export and local sales from the Tawke field in Kurdistan in 2015. Local sales were delivered against short term contracts to a number of local buyers, with local sales accounting for 58 percent of the Group's revenues from Kurdistan and 49 percent of the Group’s total revenues. The payment mechanism for local sales, which does not follow PSC terms, has resulted in a receivable to DNO of USD 118.9 million as of end-2015. Export revenues have historically been recognized by DNO only upon receipt of payment; in 2015, three payments were received towards the contractor's share of Tawke exports by the KRG totaling USD 90 million (USD 66 million net to and recognized by DNO).

Payments for exports of oil produced from the Tawke field have not followed the terms of the PSC, resulting in an export receivable to DNO. Following a period of ad-hoc payments, the KRG instituted a new payment arrangement on 1 February 2016 that is based on contractual entitlements. Under the arrangement, monthly payments reflect the revenue derived from Tawke production on a netback basis, adjusting for crude quality differentials to Dated Brent plus a deduction for transportation charges. The KRG also makes an additional payment equivalent to five percent of the respective monthly netback revenue from production toward the recovery of DNO’s export and local sales receivable.

The balance of receivables for DNO’s share of Tawke production stood at USD 1.06 billion at the end of 2015, of which USD 936.7 million (representing exports) was unbooked and USD 118.9 million (representing local sales) was booked. This was up from USD 775.5 million at end-2014, of which USD 663.3 million was unbooked and USD 112.2 million was booked. The total unbooked receivable is based on management’s best estimate. The final receivable amount will be based on a reconciliation with the KRG and may differ from the estimate made by management. In October 2016, it was reported that the KRG had retained Deloitte to carry out an audit of the KRG’s oil production, exports and revenues. DNO’s export receivable may be audited as part of this process.

Export revenues have historically been recognized by DNO only upon receipt of payment. The table below shows the gross payments that the Group has received from the KRG in respect of oil exports through the end of the second quarter of 2016 and, where applicable, whether these payments were for the amount and occurred in the month expected under the February 2016 payment arrangement. Funds from all export payments have been shared pro-rata by DNO and partner Genel Energy plc.

#	Date Payment Received	Expected Payment Date Under February 2016 Arrangement	Amount Expected Under February 2016 Arrangement	Amount Received
1	June 2011	N/A	N/A	USD 103.70 million
2	September 2011	N/A	N/A	USD 60.00 million
3	December 2012	N/A	N/A	USD 160.00 million
4	December 2014	N/A	N/A	USD 30.00 million
5	September 2015	N/A	N/A	USD 30.00 million
6	October 2015	N/A	N/A	USD 30.00 million
7	December 2015	N/A	N/A	USD 30.00 million
8	January 2016	N/A	N/A	USD 30.00 million
9	February 2016	February 2016	USD 21.45 million	USD 21.45 million
10	March 2016	March 2016	USD 13.46 million	USD 13.46 million
11	April 2016	April 2016	USD 20.11 million	USD 20.11 million
12	May 2016	May 2016	USD 32.30 million	USD 16.00 million
13	June 2016	June 2016	USD 39.28 million	USD 55.58 million
14	August 2016	July 2016	USD 38.41 million	USD 30.00 million
15	September 2016	August 2016	USD 37.40 million	USD 37.40 million
16	November 2016	September 2016	USD 31.33 million	USD 31.33 million
	Total			**USD 699.03 million**

5.3.1.5 Production sharing contracts

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

The Group's participating interest in the Tawke PSC is 55 percent and its paying interest is 75 percent, as it carries the costs of the 20 percent interest held by the KRG. DNO is the operator of the Tawke PSC and its co-venturers are Genel, which holds a 25 percent participating and paying interest, and the KRG, which holds a 20 percent participating interest. The Tawke PSC expires in 2031 (including an automatic 5 year extension). DNO may apply for a further 5 year extension of the license periods, provided i.a. 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 any extensions thereof.

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 co-venturers 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.

The Group's participating interest in the Dohuk PSC (which is in the process of being relinquished) is 40 percent and its paying interest is 60 percent, as it is carries the costs of the 20 percent interest held by the KRG. DNO is the operator of the Dohuk PSC and its co-venturers are Genel, which holds a 40 percent participating and paying interest, and the KRG, which holds a 20 percent participating interest.

Under each of the PSCs, the co-venturers 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 PSCs.

The fiscal regime under the PSCs operates on a cost oil/profit oil basis. The co-venturers 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, the co-venturers 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 the co-venturers 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 the co-venturers 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 co-venturer 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
Dohuk	N/A – Under relinquishment	N/A – Under relinquishment

The co-venturers are obliged to pay certain bonuses to the KRG upon reaching various production milestones, with the amount of such bonuses ranging from USD 2.5 million to USD 20 million. As at the date of this Registration Document, the Group had paid a total of USD 3 million in bonuses under each of the Dohuk and Erbil PSCs.

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 has an active interest in two assets in Oman. The first active interest, Block 8, is located to the northwest of the Musandam peninsula in Omani waters and the second, Block 36, is located onshore near the Yemeni and Saudi border.

5.3.2.1 Block 8

At Block 8, DNO operates Oman's only producing offshore fields, Bukha and West Bukha. The Group's working interest in the Block 8 exploration and production sharing agreement ("**EPSA**") is 50 percent and its paying interest is 50 percent. DNO is the operator of Block 8 and its co-venturer is LG International Corp. of Korea ("**LGI**"). DNO plans to re-drill and restore oil production at the West Bukha-5 well in December 2016.

5.3.2.2 Block 36

The Group's working interest in the Block 36 EPSA is 75 percent and its paying interest is 100 percent. DNO is the operator and its co-venturer is Allied Petroleum Exploration Inc. of Canada. The Block 36 acreage is located in the prolific Rub al-Khali basin, in the southwestern part of Oman bordering Saudi Arabia and Yemen and covers a surface area of more than 18,000 square kilometers. The company spud the Hayah-1 exploration well in Block 36 in early 2016 but the well failed to encounter hydrocarbons other than minor gas shows. The Group is not currently likely to carry out additional exploration in Block 36.

5.3.2.3 Sales

Oil, condensate, gas and LPG that the Group produces in Block 8 are transported to, processed in and sold through the Musandam Gas Plant ("**MGP**"), a facility built on the Musandam peninsula and operated by Oman Oil Company Exploration and Production LLC.

The blended product from Block 8 is stored in the MGP's storage tanks and is then tendered for sale to refineries or other purchasers three or four times a year. An offshore single point mooring system, connected to the storage tanks by a 30-inch, 3 km-pipeline, is used to load tankers. The product passes to the purchaser at the flange on the loading rail of the exporting tanker downstream of the MGP export meters.

Sales gas produced from Block 8 is currently sold to RAK Gas LLC ("**RAK Gas**") through a gas pipeline connecting the MGP to the Rak Gas plant in Ras Al Khaimah. In the future, it is expected that the majority of gas processed at the MPG will be delivered to a new 150 MW power plant being built next to MGP.

The Group sells its LPG to Oman Trading International Ltd. at 80 percent of the Saudi Aramco Contract Price CP (C3/C4 42/58) on the bill of lading per metric ton.

5.3.2.4 Production sharing contracts

Under the Block 8 and Block 36 EPSAs, DNO must perform certain minimum work and expenditure obligations within exploration sub-periods applicable to each EPSA. The minimum work obligations include drilling exploration wells and acquiring and processing seismic data. If the Group fails to meet the minimum work and expenditure obligations, it is liable for financial penalties.

If the Group makes a commercial discovery, it has the option to extend the term of the relevant EPSA for 20 to 30 years from the discovery date, depending on the provisions of that EPSA. Unless there is a declaration of commerciality made in Block 36, the Block 36 EPSA will expire in August 2017. The Block 8 EPSA expires in January 2019. Based on the Group's current assessments, the Block 8 EPSA will be economic for the duration of the contractual term.

The fiscal regime under the EPSAs operates on a cost oil/profit oil basis. The Group's cost oil entitlements for each of its EPSAs are capped at a certain percentage of production in a given quarter. Unrecovered costs in any quarter can be carried forward to the next quarter until complete recovery is achieved. Costs that are not recovered by the end of the EPSA cannot be recovered from another EPSA. Revenue from Block 8 is currently shared with the Sultanate of Oman and LGI based purely on profit split.

EPSA	Cost oil/gas/condensate entitlement cap (percent)	Profit oil/gas/condensate entitlement cap (percent)
Block 8		
- Gas..............	70	30
- Oil	80 – 90	20
- Condensate ...	80 – 90	20
Block 36		
- Gas..............	60	35 – 40
- Oil	40	20 – 30
- Condensate ...	60	25 – 35

In many cases, there is a range of cost and profit oil/gas/condensate entitlements based on production hurdle rates. The ranges are set out here where applicable.

For Block 36, the Group makes annual payments of USD 250,000 to the Sultanate of Oman. A 55 percent Omani income tax is applied to profit oil and gas, which is settled by an Oman government entity on behalf of DNO. The volume equivalent of this tax revenue is included in working interest reserves but is treated as a reduction in future net revenue.

5.3.3 Tunisia

The Group holds an interest in three licenses in Tunisia: the Sfax Offshore exploration permit and Ras El Besh concession (which are covered by the same license and, for ease of reference, are referred to as the Sfax Offshore and Ras El Besh license), Fkirine and Hammamet Offshore.

5.3.3.1 Sfax Offshore and Ras El Besh license

The Group's working interest in the Sfax Offshore and the Ras El Besh license is 87.5 percent and its paying interest is 100 percent as it is responsible for the costs of the 12.5 percent interest held by its co-venturers Atlas Petroleum Exploration Worldwide Ltd. and Eurogas International Inc. DNO is the operator of license. The current exploration period in the license expires in 2017.

The Sfax Offshore and Ras El Besh license covers an area of 3,296 km^2 in the prolific Gulf of Gabes, mostly offshore in shallow waters. To date, three discoveries have been made with combined gross recoverable resources ranging from 4 million to 11 million barrels of oil (Pmean estimate). These assets hold significant exploration potential and the existing prospective structures in the license have unrisked prospective resources of 933 million barrels of oil equivalent (Pmean estimate). The size of the leads and prospects are estimated to be in the range of 11 million to 182 million barrels of gross unrisked oil resources (Pmean estimate). The Group's activities are focused on the exploration and appraisal of these prospects and discoveries, with one exploration well drilled in 2014. In order to fully explore the additional prospectivity of the block, the Group acquired 1,000 km^2 of 3D seismic data in 2014, which has been processed and is currently under interpretation. The new seismic data will allow the Group to de-risk the existing leads and prospects, which were mapped using 2D seismic data, and will also allow it to identify additional prospective structures in the block.

In January 2015, the Company announced the completion of drilling of the Jawhara-3 well in the offshore portion of the license. The Jawhara-3 well was vertically drilled to a total depth of 2,815 meters. While oil shows were encountered when drilling through the Douleb and Bireno fractured carbonate formations, the well produced only water during testing.

5.3.3.2 Fkirine exploration permit

The Group's working interest in the Fkirine exploration permit is 50 percent and its paying interest is 100 percent as it is responsible for the costs of the 50 percent working interest held by its co-venturer ETAP during the exploration phase. DNO is the operator of the permit, which covers a gross onshore area of 2,064 km^2. The permit’s current exploration period expires in 2017.

5.3.3.3 Hammamet Offshore exploration permit

The Group’s working interest in the Hammamet Offshore exploration permit is 46 percent and its paying interest is 47.1 percent. Its co-venturer is MedcoEnergi, the operator of the permit. The permit covers a gross offshore area of 3,740 km^2. The permit’s current exploration period expires in 2017.

5.3.3.4 Overview of applicable fiscal regimes

Exploration and production companies operating in Tunisia are subject to a fiscal regime set out in the Tunisian Hydrocarbons Code and implemented either through joint venture contracts or PSAs. Under the Hydrocarbons Code, once an E&P company makes a commercial discovery, the Tunisian government has the option of governing and taxing the activities of the company under an exploitation concession. DNO’s activities in the Fkirine exploration permit are governed by a joint venture contract with ETAP; its activities under the Sfax Offshore and Ras El Besh license and the Hammamet license are governed by PSAs.

The Sfax Offshore and Ras El Besh PSA operates on cost oil/profit oil basis. Under the PSA, the contractor entities are allocated a fixed percentage of production for cost recovery. The percentage ranges from 40 to 50 percent for oil, depending on production levels, and is 60 percent for gas. The remaining production is shared between the contractor entities and ETAP, and the contractor entities’ entitlement varies from 25 percent to 42.5 percent for oil, depending on productions levels, and is fixed at 50 percent for gas production. Under the Hammamet PSA, cost oil is fixed at 48 percent of available oil production (50 percent for gas) and profit oil is shared on a sliding scale determined according to the ratio between the contractor entities’ accrued net earnings and accrued total expenditures under the PSA. The contractor entities can receive between 20 and 40 percent of this remaining oil and gas production.

Under the PSAs, the contractor entities are liable for income tax of between 50 and 75 percent, depending on the ratio between their accrued net earnings and accrued total expenditures. However, this income tax is deemed to be included in the share of profit oil delivered to ETAP. This effectively results in DNO’s share of profit oil being net of taxes. The volume equivalent of this tax is included in DNO’s net reserves.

PSC	**Cost oil entitlement cap (percent)**	**Profit oil entitlement cap (percent)**
Sfax Offshore & Ras El Besh.........	40 – 50	25 – 42.5
Hammamet...............................	48	20 – 40

5.3.4 Yemen

The Group currently holds interests in Block 32, Block 43 and Block 47 in Yemen, all of which are located in the Sayun-Masila basin. Block 32 expires in 2019, Block 43 in 2024 and Block 47 in 2031.

Since 2014, intense armed conflict has disrupted Yemen’s society, economy and government. Due to Yemen’s deteriorating security conditions, DNO has suspended all exploration and production activity and is reviewing its positions as security conditions continue to prevent normal business operations.

5.3.5 UAE – Ras Al Khaimah

The Group has an interest in two assets in Ras Al Khaimah: Saleh and RAK Onshore. The Saleh license expires in 2026. The current RAK Onshore exploration period expires in 2017.

5.3.5.1 Saleh

DNO's working interest at the Saleh concession is 70 percent and its paying interest is also 70 percent. DNO operates Saleh along with its co-venturer RAK Gas, which holds the remaining 30 percent.

5.3.5.2 RAK Onshore

The Group's working interest in the RAK Onshore concession is 70 percent and its paying interest is 70 percent. DNO is the operator of the concession and its co-venturer is Edison International SpA. A detailed technical study of the block, including reprocessing of existing seismic data, is currently ongoing.

5.3.5.3 Tax and royalty concessions

The Group's operations in the UAE are regulated by tax and royalty concessions. The two concessions, Saleh and RAK Onshore, were negotiated with the Emirate of Ras Al Khaimah. Once commercial production has commenced, the Group can deduct the exploration, development, and other capital and operating costs it incurs from its tax liability under the relevant concession. Costs can be carried forward until complete tax deduction is achieved.

Under the concessions that DNO has concluded with the Emirate of Ras Al Khaimah, DNO must perform certain minimum work obligations within the exploration sub-period applicable to each concession, most notably the acquisition and processing of seismic data. The Group has fulfilled all of its material minimum work obligations for the current sub-period applicable in each of its UAE concessions.

The Emirate of Ras Al Khaimah is entitled to a royalty equal to between 0 and 15 percent of the hydrocarbons produced in the relevant concession area and can take the royalty in cash or in kind. If taken in cash, the hydrocarbons are valued at the point of delivery according to an international market price defined in the applicable concession agreement.

Following amendments to the concessions in April 2011, March 2012 and May 2012, the royalty and income tax rate for the Saleh and RAK Onshore concessions are determined by reference to cumulative revenue and cumulative costs, such that both the royalty and income tax rates increase as cumulative revenue increases relative to cumulative costs. The royalty rate ranges from 0 percent to 15 percent and the income tax rate ranges from 0 percent to 50 percent. Payment of the royalty is considered a cost for the purpose of calculating the relevant rate of tax. No tax is paid until all of the development costs have been recovered, making the threshold field size for commerciality very small and greatly enhancing the economics of field development.

The RAK Onshore concession requires a bonus payment of USD 500,000 to be made within 30 days from first commercial production and another of USD 1 million within 30 days after production reaches a minimum threshold.

RAK Gas has the right to acquire any non-associated natural gas produced from the Saleh and RAK Onshore concessions based on a price specified in the concession agreements. If it does not exercise that right, it is entitled to 5 percent of the revenue generated by sales of such non-associated gas to third parties. Any associated natural gas must be delivered to the government free of charge.

5.3.6 Somaliland

The Group's working interest in Block SL18, its only block in Somaliland, is 50 percent and its paying interest is 55.55 percent. It is the operator of the block and its co-venturers are Petrogas and the government of Somaliland. The costs associated with the working interest of the government of Somaliland are shared pro rata by DNO and its co-venturers. The block covers a gross onshore area of 12,000 km^2. The partners have completed a field survey, environmental assessment and an aerial gravity-magnetic survey of the block. The PSA's current exploration period expires in 2017.

The Group's operations in Somaliland are regulated by a PSA. The Ministry of Energy, Water and Natural Resources is responsible for managing the PSA and the relations with the operator.

Under the PSA, when there is a commercial discovery, the relevant parts of the exploration area are converted to a production area or areas. The production period is typically 25 years from the discovery date. The production period is renewed automatically for successive periods of five years (or shorter periods nominated by the contractor) as set out in the PSA. The fiscal regime under the PSA operates on a cost oil/profit oil basis. The co-venturers are entitled to recover their costs through cost oil after payment of a royalty to the Somaliland government. The royalty rate is 10 percent for crude oil and 5 percent for natural gas. Unrecovered costs can be carried forward until complete recovery is achieved. Costs that are not recovered by the end of the PSA cannot be recovered from another PSA. Following deductions for government royalty and cost recovery, the remainder of production is allocated to the co-venturers and to the Somaliland government as profit oil.

PSC	Cost oil entitlement cap (percent)	Profit oil entitlement cap (percent)
Block SL18......................	65	50

DNO is required under the PSA to pay surface rental fees of USD 5 per square kilometer of contract area and USD 10 per square kilometer of production area. DNO is also obliged to pay certain bonuses to the Somaliland government upon reaching various production milestones, with the amount of such bonuses under ranging from USD 1 million to USD 3 million.

5.4 Legal proceedings

The Company is engaged in legal disputes from time to time. Other than as described below, 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.

Dove Energy Limited, the operator of Block 53 in Yemen, issued a notice of withdrawal in November 2014. That caused the remaining partners, including DNO, to choose to withdraw under the joint operating agreement. The Ministry of Oil and Minerals of the Republic of Yemen is disputing the withdrawal of Dove Energy and the subsequent withdrawal of the other partners and has filed an arbitral claim against the contractor under the PSA. However, at this stage the Company does not consider this dispute to be of material importance for the evaluation of DNO's financial position or profitability.

There have been reports in the Yemeni press that governmental authorites have threatened to confiscate DNO property in Yemen; however, DNO has never received any threats directly.

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 management 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 2017
Lars Arne Takla	Deputy Chairman	2012	AGM 2017
Elin Karfjell	Board member	2015	AGM 2017
Gunnar Hirsti	Board member	2007	AGM 2017
Shelly Watson	Board member	2010	AGM 2017

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 management to the Company and their private interests and/or other duties. The Executive Chairman of the board of directors, Bijan Mossavar-Rahmani, is the largest shareholder in RAK Petroleum, the largest shareholder in the Company. This may in certain circumstances be a source of potential conflicts of interest, but any potential conflict of interest will be handled in accordance with company policies and applicable laws and regulations.

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
Jeroen Regtien	Chief Operating Officer	2015
Haakon Sandborg	Chief Financial Officer	2001
Claes Åbyholm	General Counsel	2014
James Edens	Commercial Director	2015
Nicholas Whiteley	Exploration Director	2015

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. This may in certain circumstances be a source of potential conflicts of interest, but any potential conflict of interest will be handled in accordance with company policies and applicable laws and regulations.

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 30 October 2014 (the "**Corporate Governance Code**"), with the following exceptions:

Deviation from 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 2015 and 2014 in accordance with IFRS (the "**Financial Statements**") and unaudited consolidated interim financial statements as of and for the three and six months ended 30 June 2016, with comparable figures as of and for the three and six months ended 30 June 2015, 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 included herein 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	**Three months ended 30 June**		**Six months ended 30 June**		**Year ended 31 December**	
	2016	**2015**	**2016**	**2015**	**2015**	**2014**
Selected statement of comprehensive income						
Gross profit	29.2	-10.9	48.1	-46.7	-9.5	135.5
Profit/-loss from operating activities	16.2	-23.3	24.1	-92.5	-174.0	-243.2
Profit/-loss before income tax	5.1	-39.2	0.8	-112.4	-236.5	-251.8
Net profit/-loss	4.0	-39.9	-0.9	-114.1	-212.3	-226.1
Other comprehensive income that may be reclassified to profit or loss in subsequent periods	3.1	-0.8	5.6	-0.5	0.3	0.4
Total comprehensive income, net of tax	7.1	-40.7	4.7	-114.6	-212.0	-225.7

In USD millions	**Three months ended 30 June**		**Six months ended 30 June**		**Year ended 31 December**	
	2016	**2015**	**2016**	**2015**	**2015**	**2014**
Selected balance sheet						
Total non-current assets	512.3	679.2	512.3	679.2	540.6	722.5
Total current assets	480.1	707.4	480.1	707.4	467.6	378.8
Total assets	992.3	1,386.6	992.3	1,386.6	1,008.2	1,101.3
Total equity	438.8	536.3	438.8	536.3	436.2	532.8
Total non-current liabilities	453.8	470.6	453.8	470.6	447.8	349.2
Total current liabilities	99.7	379.6	99.7	379.6	124.2	219.2
Total equity and liability	992.3	1,386.6	992.3	1,386.6	1,008.2	1,101.3

In USD millions	**Three months ended 30 June**		**Six months ended 30 June**		**Year ended 31 December**	
	2016	**2015**	**2016**	**2015**	**2015**	**2014**
Selected statement of cash flows						
Net cash from/-used in operating activities	-13.3	-52.0	20.9	-45.5	-74.1	181.4
Net cash from/-used in investing activities	0.6	-12.7	-4.9	-47.8	-49.5	-334.5
Net cash from/-used in financing activities	-	311.0	-2.1	429.3	248.8	-
Cash and cash equivalents at the end of the period	249.0	450.3	249.0	450.2	237.6	113.8

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 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

DNO13 (ISIN NO 0010606189) and DNO14 (ISIN NO 0010606197) were both called by the Company on 24 June 2015 at a price of 101.5 percent of par according to the applicable call option. Settlement took place on 6 August 2015. The Bonds are the only outstanding interest bearing debt in the Company following the repayment of DNO13 and DNO14 bonds. The Bonds have maturity date in whole on 18 June 2020.

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 of the Tawke field in Kurdistan and are contingent on receipt of payment from the KRG and market conditions. In 2016, DNO has been focusing primarily on a drilling program in the Tawke license.

In Q3 2016, DNO had capital expenditures of approximately USD 12.8 million.

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 Financial Statements.

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.

The Company incorporates by reference the Company's audited consolidated financial statements as of and for the years ended 31 December 2015 and 2014, 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[13]
Section 7	Audited historical financial information (Annex IV, Section 13.1)	**DNO ASA – Financial Statements 2015**:	
		http://www.newsweb.no/newsweb/search.do?messageId=397676	P17 – P53
		DNO ASA – Financial Statements 2014:	
		http://www.newsweb.no/newsweb/search.do?messageId=373874	P17 – P54
Section 7	Audit report (Annex IV, Section 13.3.1)	**DNO ASA – Auditor's report 2015**:	
		http://www.newsweb.no/newsweb/search.do?messageId=397676	P66 – P67
		DNO ASA – Auditor's report 2014:	
		http://www.newsweb.no/newsweb/search.do?messageId=373874	P68 – P69
Section 7	Accounting policies (Annex IV, Section 13.1)	**DNO ASA – Accounting principles**:	
		http://www.newsweb.no/newsweb/search.do?messageId=397676	P22 – P30
Section 7	Interim financial information (Annex IV, Section 13.5)	**DNO ASA – Second quarter financial statement 2016**:	
		http://www.newsweb.no/newsweb/search.do?messageId=407510	P1 – P20

[13] 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:

API gravity	An American Petroleum Institute measure of how heavy or light a petroleum liquid is compared to water, with the lighter the liquid the higher the degree API.
bbl	Barrels of oil.
bopd	Barrels of oil per day.
Bond Agreement	The agreement dated 17 June 2015 between DNO ASA and the Bond Trustee describing the rights and obligations associated with the Bonds.
Bond Trustee	Nordic Trustee ASA, a Norwegian trust company acting on behalf of the subscribers to the Bonds.
Bonds	8.75 per cent DNO ASA Senior Unsecured Callable Bond Issue 2015/2020.
Commercial discovery	Has the meaning assigned to it in the licenses, generally a discovery that is potentially commercial when taking into account 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 2015 and 2014.
Interim Financial Statements	The Company's unaudited consolidated interim financial statements as of and for the three and six months ended 30 June 2016, with comparable figures as of and for the three and six months ended 30 June 2015.
Lead Managers	ABG Sundal Collier, DNB Markets, Fearnley Securities and Pareto Securities 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 *(Nw.: Finanstilsynet*).
Norwegian Public Limited Companies Act	The Norwegian Public Limited Companies Act of 13 June 1997 no. 45 (*Nw.: 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.
Registration Document	This registration document dated 8 November 2016.
Securities Note	The securities note dated 8 November 2016.
Summary	The summary dated 8 November 2016.
U.S. Securities Act	U.S. Securities Act of 1933, as amended.
USD	United States dollar, the lawful currency of the United States.