DNO ASA

ANNUAL STATEMENT OF RESERVES AND RESOURCES

2017

Bjørn Dale
Managing Director

Oslo, 15 March 2018

DNO ASA ANNUAL STATEMENT OF RESERVES AND RESOURCES 2017

Table of contents

1 Introduction and Summary 3
1.1 Introduction 3
1.2 Summary 3
2 Management Discussion and Analysis 4
2.1 Disclaimer 4
2.2 Assumptions and Methodology 4
2.3 Oil Price 5
2.4 Ownership 5
2.5 Independent Expert Assessment of Reserves and Resources 5
3 Reserves 6
3.1 Kurdistan Region of Iraq 6
3.2 Oman 7
4 Contingent Resources 7
5 Annex 8
Table 1 – Remaining reserves at yearend 2017 (Gross, CWI and NE) 8
Table 2 – Reserves development 2016-2017 (CWI) 9
Table 3 –Contingent resources (2C) at yearend 2017 (Gross and CWI) 10

1 Introduction and Summary

1.1 Introduction

This reserves and resources evaluation report has been prepared in accordance with Oslo Stock Exchange listing and disclosure requirements, Circular No. 1/2013.

The report provides the status of hydrocarbon reserves and contingent resources at yearend 2017 for DNO ASA ("DNO"). International petroleum consultants DeGolyer and MacNaughton (D&M) carried out the annual independent assessment of the Tawke license in the Kurdistan region of Iraq containing the Tawke and Peshkabir fields. The Company internally assessed the remaining licenses.

1.2 Summary

1.2.1 DNO's Company Working Interest

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

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

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

1.2.2 Kurdistan Region of Iraq

On a CWI basis at yearend 2017, 1P reserves in the Company's two Kurdistan licenses totaled 239.8 MMboe, up from 218.7 MMboe at yearend 2016. 2P reserves stood at 384.1 MMboe compared to 364.7 MMboe at yearend 2016. 3P reserves climbed to 665.7 MMboe from 512.7 MMboe at yearend 2016.

1.2.3 Tawke License Gross Basis

On a gross basis, at yearend 2017, 1P reserves at the Tawke license stood at 348.3 MMboe (352.7 MMboe at yearend 2016) after adjusting for production of 39.8 MMboe during the year and technical revisions, 2P reserves stood at 512.6 MMboe (536.0 MMboe at yearend 2016) and 3P reserves stood at 880.0 MMboe (725.4 MMboe at yearend 2016). 2C resources stood at 91.4 MMboe (211.1 MMboe at yearend 2016) following reclassification of certain contingent resources to reserves.

At the Tawke field, 1P reserves stood at 335.3 MMboe at yearend 2017 (347.6 MMboe at yearend 2016), 2P reserves stood at 437.5 MMboe (503.8 MMboe at yearend 2016) and 3P reserves stood at 587.7 MMboe (630.2 MMboe at yearend 2016). 2C resources at the Tawke field were estimated at 91.4 MMboe at yearend 2017 (100.2 MMboe at yearend 2016).

At the Peshkabir field, 1P reserves stood at 13.0 MMboe at yearend 2017 (5.1 MMboe at yearend 2016), 2P reserves stood at 75.1 MMboe (32.2 MMboe at yearend 2016) and 3P reserves stood at

292.3 MMboe (95.2 MMboe at yearend 2016). No 2C resources were recorded for the Peshkabir field at yearend 2017 as 110.9 MMboe of 2C resources at yearend 2016 were reclassified to reserves.

2 Management Discussion and Analysis

2.1 Disclaimer

The report, including this Management's Discussion and Analysis (MD&A), contains and was prepared, *inter alia*, on the basis of forward-looking information and statements. Such information and statements are based on management's current assumptions, expectations, estimates and projections and are therefore subject to risks and uncertainties that could cause actual results, performance or events to differ materially. The Company can give no assurance that those assumptions, expectations, estimates and projections will occur or be realized and readers should not place undue reliance on forward-looking statements. Forward-looking statements are generally identifiable by their use of terms such as "expect", "believe", "estimate", "may", "plan", "could", "will", "intend", "schedule" and similar terms or expressions. There are a number of factors that could cause actual results or events to differ materially from those underlying forward-looking information and statements. These factors include, among others: technical, geological and geotechnical conditions; economic and market conditions in or affecting the geographic areas and industries that are or will be major markets for DNO; oil and gas price fluctuations; market acceptance of new products and services; changes in laws and governmental regulations; political risks, including the risks of expropriation and renegotiation of the terms of contracts with governmental entities; delays or advancements in the approval of projects and delays in the reimbursement for shared costs; the risk of doing business in developing countries and countries subject to national or international sanctions; fluctuations in interest rates or currency exchange rates; and other such factors that may be discussed from time to time in the MD&A. All forward-looking statements contained in the report, including this MD&A, are expressly qualified in their entirety by the cautionary statements contained in this disclaimer. Additionally, DNO makes no representation or warranty, expressed or implied, as to the accuracy, reliability or completeness of these forward-looking statements and the MD&A, and neither DNO nor any of its directors, officers or employees will have any liability to the readers resulting from reliance on these forward-looking statements and this MD&A.

2.2 Assumptions and Methodology

DNO's reserves updates are completed in accordance with standard guidelines advised by the Society of Petroleum Engineers (SPE)[1,2] and comply with Oslo Stock Exchange disclosure requirements, Circular No. 1/2013.

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

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

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

---

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

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

Economically recoverable reserves have been calculated based on input for the technical reserves and economic parameters such as license terms and projected future oil prices. The reserves reported here are restricted to those volumes expected to be economically recovered prior to the expiry date of the respective licenses.

2.3 Oil Price

The Intercontinental Exchange (ICE) forward curve for Brent crude (adjusted for quality and transportation differentials) was used as the basis for calculating remaining reserves.

2.4 Ownership

DNO's interest in certain licenses is governed by a Production Sharing Contract (PSC), which sets out the manner in which oil and gas production is shared between the government and the license holder.

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

DNO's Net Entitlement (NE) reserves comprise the Company's entitlement to cost oil and profit oil. NE reserves reflect DNO's additional share of cost oil covering its advances towards the government carried interest (if any). NE reserves also include any notional tax paid by the government on behalf of DNO. NE reserves are based on economic evaluation of the license agreements, incorporating projections of future costs and oil prices. NE volumes may therefore fluctuate over time, even if there are no changes in the underlying gross and CWI volumes.

The government may also have a participating interest in the license through a government-controlled enterprise. If so, the government will receive a corresponding share of cost oil (unless the government's share of costs is advanced or carried by the other partners) and profit oil through the government-controlled enterprise.

Effective from 1 August 2017, DNO was assigned the 20 percent interest in the Tawke license held by the Kurdistan Regional Government as part of a landmark settlement of receivables owed to the Company for past oil deliveries. Following the settlement, DNO held a 75 percent interest in the Tawke license containing the Tawke and Peshkabir fields. DNO's share of profit oil increased from 55 percent to 75 percent, while its share of the cost oil remained at 75 percent. This is in addition to three percent of aggregate Tawke license revenues payable from 1 August 2017 until 31 July 2022 (the Override). DNO's CWI and NE reserves and resources reflect the Kurdistan Receivables Settlement Agreement.

DNO believes that reporting CWI volumes facilitates the comparison of reserves and resources across countries and regions that have different tax regulations or tax regimes. CWI volumes include DNO's additional share of cost oil resulting from recovery of its advances towards the government carried interest (if any).

2.5 Independent Expert Assessment of Reserves and Resources

D&M carried out the annual independent assessment of the Tawke and Peshkabir fields. DNO internally evaluated the remaining licenses.

3 Reserves

Volumes classified as reserves are those quantities of oil and gas anticipated to be commercially recovered from known accumulations from a given date to the end of the field life and within the license period. In the attached Annex, Table 1 shows a summary of remaining 1P, 2P and 3P reserves per field on a gross, CWI and NE basis at yearend 2017. Table 2 shows changes in CWI reserves between yearend 2016 and yearend 2017.

3.1 Kurdistan Region of Iraq

3.1.1 Tawke and Peshkabir Fields

At the Tawke field, at yearend 2017 gross 1P reserves stood at 335.3 MMboe (230.7 MMboe on a CWI basis), compared to 347.6 MMboe (215.5 MMboe on a CWI basis) at yearend 2016. The year-to-year change in gross volumes was due to the net effect of 2017 field production of 38.5 MMboe and an upward technical revision of 26.2 MMboe. Tawke field cumulative production since inception stood at 223.8 MMboe at yearend 2017.

Gross 2P reserves at the Tawke field at yearend 2017 stood at 437.5 MMboe (300.2 MMboe on a CWI basis), compared to 503.8 MMboe (312.4 MMboe on a CWI basis) at yearend 2016. The change was due to 2017 field production, an upward revision of 8.8 MMboe from a planned enhanced oil recovery (EOR) project and a downward technical revision of 36.6 MMboe.

Gross 3P reserves at the Tawke field stood at 587.7 MMboe (402.2 MMboe on a CWI basis) at yearend 2017, compared to 630.2 MMboe (390.7 MMboe on a CWI basis) at yearend 2016, after adjusting for production, a technical downward revision of 47.3 MMboe and an upward revision of 43.3 MMboe from the planned EOR project.

At the Peshkabir field, at yearend 2017 gross 1P reserves increased to 13.0 MMboe (9.1 MMboe on a CWI basis) from 5.1 MMboe (3.1 MMboe on a CWI basis) at yearend 2016, after adjusting for field production of 1.3 MMboe and early results from ongoing appraisal drilling.

Gross 2P reserves at the Peshkabir field increased to 75.1 MMboe (52.1 MMboe on a CWI basis) at yearend 2017, up from 32.2 MMboe (20.0 MMboe on a CWI basis) at yearend 2016.

Gross 3P reserves at the Peshkabir field increased to 292.3 MMboe (200.7 MMboe on a CWI basis) from 95.2 MMboe (59.0 MMboe on a CWI basis) at yearend 2016.

Notwithstanding the discovery of a gas cap and existence of solution gas at the Peshkabir field, no gas reserves or contingent resources are booked as the Company plans to utilize this gas for EOR at the Tawke field.

3.1.2 Benenan and Bastora Fields

Estimates of oil-in-place at the Erbil license containing the Benenan and Bastora fields stand at more than two billion barrels. At yearend 2017, gross 2P reserves at the Benenan and Bastora fields stood at 57.4 MMboe (26.7 MMboe on a CWI basis) and 10.9 MMboe (5.1 MMboe on a CWI basis), respectively.

The Company continued its appraisal of the Benenan field in late 2017 with the first multilateral well and first dual completion in Kurdistan. Production tests are planned in 2018.

3.2 Oman

At Block 8, DNO operates Oman's only producing offshore fields, Bukha and West Bukha. Block 8 production in 2017 was 1.6 MMboe, with a cumulative production since inception of 89.5 MMboe.

CWI reserves and contingent resources at Block 8 were written down to zero at yearend 2017 since the Company plans to relinquish the asset prior to expiry of the license on 3 January 2019.

4 Contingent Resources

Contingent resources are those quantities of oil and gas estimated on a given date to be potentially recoverable from known accumulations, but not currently considered to be commercially recoverable or where a field development plan has not yet been submitted. DNO's recorded 2C resources are included as class 4 (in the planning phase), class 5 (development likely but undecided), class 6 (development unlikely) and class 7 (not yet evaluated) under NPD's classification system. In the attached Annex, Table 3 shows a summary of remaining 2C resources on a gross and CWI basis at yearend 2017.

Gross 2C resources stood at 204.1 MMboe at yearend 2017 (98.9 MMboe on a CWI basis), compared to 276.8 MMboe (161.3 MMboe on a CWI basis) at yearend 2016. Gross 2C resources at yearend 2017 were distributed across DNO's portfolio, with the largest concentration in Kurdistan.

As of yearend 2017, gross 2C resources at the Tawke field stood at 91.4 MMboe (61.7 MMboe on a CWI basis) compared to 100.2 MMboe (62.1 MMboe on a CWI basis) at yearend 2016. At yearend 2017, estimates for 2C resources at the Peshkabir field dropped to zero from 110.9 MMboe (68.7 MMboe on a CWI basis) at yearend 2016 with the conversion of Cretaceous contingent resources to reserves following results of early appraisal drilling and other technical revisions.

DNO's portfolio of 11 licenses in Norway and United Kingdom acquired through the transaction with Origo Exploration Holding AS (Origo) held gross 2C resources of 36.2 MMboe (7.2 MMboe on a CWI basis) in the Norwegian Continental Shelf and 43.8 MMboe (11.9 MMboe on a CWI basis) in the United Kingdom Continental Shelf.

5 Annex

Table 1 – Remaining reserves at yearend 2017 (Gross, CWI and NE)

Asset	Proven (1P)			Proven + Probable (2P)			Proven + Probable + Possible (3P)		
	Gross	CWI	NE	Gross	CWI	NE	Gross	CWI	NE
	(MMbbls)	(MMbbls)	(MMbbls)	(MMbbls)	(MMbbls)	(MMbbls)	(MMbbls)	(MMbbls)	(MMbbls)
Developed Assets									
Kurdistan, Tawke field	173.7	120.6	59.7	224.6	154.1	70.5	298.7	204.4	77.4
Kurdistan, Peshkabir field	8.3	5.8	2.9	8.3	5.8	2.7	48.6	33.4	12.7
Total Developed		**126.4**	**62.6**		**159.8**	**73.1**		**237.8**	**90.1**

Asset	Proven (1P)			Proven + Probable (2P)			Proven + Probable + Possible (3P)		
	Gross	CWI	NE	Gross	CWI	NE	Gross	CWI	NE
	(MMbbls)	(MMbbls)	(MMbbls)	(MMbbls)	(MMbbls)	(MMbbls)	(MMbbls)	(MMbbls)	(MMbbls)
Under Development Assets									
Kurdistan, Tawke field	161.6	110.1	55.4	212.9	146.1	66.8	289.0	197.8	74.9
Kurdistan, Peshkabir field	4.7	3.3	1.7	66.8	46.3	21.5	243.7	167.4	63.7
Kurdistan, Bastora field				10.9	5.1	3.6	16.4	7.6	4.3
Kurdistan, Benenan field				57.4	26.7	18.8	118.6	55.2	31.4
Total Under Development		**113.4**	**57.1**		**224.2**	**110.7**		**427.9**	**174.3**
TOTAL DNO ASA		**239.8**	**119.6**		**384.1**	**183.9**		**665.7**	**264.3**

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

Table 2 – Reserves development 2016-2017 (CWI)

DNO ASA	Developed Assets			Under Development Assets			TOTAL		
	1P	2P	3P	1P	2P	3P	1P	2P	3P
	(Mmboe)	(Mmboe)	(Mmboe)	(Mmboe)	(Mmboe)	(Mmboe)	(Mmboe)	(Mmboe)	(Mmboe)
Balance as of Yearend 2016	**153.6**	**222.4**	**277.5**	**65.6**	**145.9**	**243.2**	**219.2**	**368.3**	**520.7**
Production	-26.9	-26.9	-26.9				-26.9	-26.9	-26.9
Acquisitions	13.6	15.5	22.5	10.3	19.0	34.9	23.8	34.5	57.3
Divestments									
Extentions and discoveries									
New developments	4.8	4.8	4.8	3.2	37.6	147.0	8.0	42.4	151.9
Revision of previous estimates	-18.7	-56.0	-40.1	34.4	21.8	2.8	15.7	-34.2	-37.3
Balance as of Yearend 2017	**126.4**	**159.8**	**237.8**	**113.4**	**224.2**	**427.9**	**239.8**	**384.1**	**665.7**

The Kurdistan Receivables Settlement Agreement which increased DNO’s interest in the Tawke license to 75 percent plus, until 31 July 2022, three percent of aggregate license revenues is reported as an acquisition.

The Peshkabir Cretaceous appraisal in 2017 following its discovery in 2016 is reported as a new development.

All figures reflect pre-tax shares. CWI reserves are net to DNO after royalty and reflect DNO’s additional share of cost oil covering its advances towards the government carried interest (if any).

Table 3 –Contingent resources (2C) at yearend 2017 (Gross and CWI)

Asset	2C Resources Gross (MMboe)	2C Resources CWI (MMboe)
Kurdistan	103.3	67.2
Tawke PSC	91.4	61.7
Erbil PSC	11.9	5.5
Yemen	6.2	4.8
Tunisia	14.5	7.6
UK	43.8	11.9
Norway	36.2	7.2
TOTAL DNO ASA		**98.9**

All figures reflect pre-tax shares. CWI 2C resources are net to DNO after royalty and reflect DNO's additional share of cost oil covering its advances towards the government carried interest (if any). CWI resources in the table above reflect the Kurdistan Receivables Settlement Agreement, as applicable.