



ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2020 - GENERELL INFORMASJON

Enheten

Organisasjonsnummer: 913 905 881
Organisasjonsform: Aksjeselskap
Foretaksnavn: DNO NORGE AS
Forretningsadresse: Badehusgata 37
4014 STAVANGER

Regnskapsår

Årsregnskapets periode: 01.01.2020 - 31.12.2020

Konsern

Morselskap i konsern: Nei

Regnskapsregler

Regler for små foretak benyttet: Nei
Benyttet ved utarbeidelsen av årsregnskapet til selskapet: IFRS

Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet: Ørjan Gjerde
Dato for fastsettelse av årsregnskapet: 21.06.2021

Grunnlag for avgivelse

År 2020: Årsregnskapet er elektronisk innlevert
År 2019: Tall er hentet fra elektronisk innlevert årsregnskap fra 2020

Det er ikke krav til at årsregnskapet m.v. som sendes til Regnskapsregisteret er undertegnet. Kontrollen på at dette er utført ligger hos revisor/enhetens øverste organ. Sikkerheten ivaretas ved at innsender har rolle/rettighet for innsending av årsregnskapet via Altinn, og ved at det bekreftes at årsregnskapet er fastsatt av kompetent organ.

Brønnøysundregistrene, 03.07.2022



Resultatregnskap

| Beløp i: NOK | Note | 2020 | 2019 |
|---|------|-----------------------|---------------------|
| RESULTATREGNSKAP | | | |
| Inntekter | | | |
| Revenues | 3 | 2 130 922 000 | 0 |
| Sum inntekter | | 2 130 922 000 | 0 |
| Kostnader | | | |
| Cost of goods sold | 4 | 2 022 484 000 | 0 |
| Payroll expenses | 6 | 76 755 000 | 53 915 000 |
| Depreciation non oil&gas assets | 9 | 20 974 000 | 6 213 000 |
| Nedskrivning av varige driftsmidler og immaterielle eiendeler | 9 | 518 856 000 | 0 |
| General and administration expenses | 7 | 67 012 000 | 58 918 000 |
| Exploration expenses | 5 | 410 258 000 | 492 459 000 |
| Sum kostnader | | 3 116 339 000 | 611 505 000 |
| Driftsresultat | | -985 417 000 | -611 505 000 |
| Finansinntekter og finanskostnader | | | |
| Financial income | 10 | 91 229 000 | 3 398 000 |
| Sum finansinntekter | | 91 229 000 | 3 398 000 |
| Financial expenses | 10 | 347 655 000 | 45 972 000 |
| Sum finanskostnader | | 347 655 000 | 45 972 000 |
| Netto finans | | -256 426 000 | -42 574 000 |
| Ordinært resultat før skattekostnad | | -1 241 843 000 | -654 079 000 |
| Tax income/-expense | 22 | -805 142 000 | -491 988 000 |
| Ordinært resultat etter skattekostnad | | -436 701 000 | -162 091 000 |
| Årsresultat | | -436 701 000 | -162 091 000 |
| Overføringer og disponeringer | | | |
| Udekket tap | | -436 701 000 | -162 091 000 |
| Sum overføringer og disponeringer | | -436 701 000 | -162 091 000 |



Balanse

| Beløp i: NOK | Note | 2020 | 2019 |
|--|------|----------------------|----------------------|
| BALANSE - EIENDELER | | | |
| Anleggsmidler | | | |
| Immaterielle eiendeler | | | |
| Godwill | 8 | 568 694 000 | 891 396 000 |
| E&A and other intangible assets | 8 | 1 082 412 000 | 812 409 000 |
| Sum immaterielle eiendeler | | 1 651 106 000 | 1 703 805 000 |
| Varige driftsmidler | | | |
| Property, plant and equipment | 9 | 4 095 608 000 | 4 019 103 000 |
| Sum varige driftsmidler | | 4 095 608 000 | 4 019 103 000 |
| Finansielle anleggsmidler | | | |
| Lease receivable | | 3 117 000 | 0 |
| Sum finansielle anleggsmidler | | 3 117 000 | 0 |
| Sum anleggsmidler | | 5 749 831 000 | 5 722 908 000 |
| Omløpsmidler | | | |
| Varer | | | |
| Fordringer | | | |
| Trade receivables and other current assets | 12 | 885 681 000 | 1 251 539 000 |
| Tax receivables | 11 | 410 205 000 | 843 004 000 |
| Sum fordringer | | 1 295 886 000 | 2 094 543 000 |
| Bankinnskudd, kontanter og lignende | | | |
| Cash and cash equivalents | 13 | 880 182 000 | 464 445 000 |
| Sum bankinnskudd, kontanter og lignende | | 880 182 000 | 464 445 000 |
| Sum omløpsmidler | | 2 176 068 000 | 2 558 988 000 |
| SUM EIENDELER | | 7 925 899 000 | 8 281 896 000 |

BALANSE - EGENKAPITAL OG GJELD



Balanse

| Beløp i: NOK | Note | 2020 | 2019 |
|--|------|-----------------------|-----------------------|
| Egenkapital | | | |
| Innskutt egenkapital | | | |
| Share capital | 12 | 152 700 000 | 76 170 000 |
| Overkurs | 12 | 4 163 733 000 | 686 862 000 |
| Sum innskutt egenkapital | | 4 316 433 000 | 763 032 000 |
| Opptjent egenkapital | | | |
| Retained earnings | | -3 885 838 000 | -3 449 138 000 |
| Sum opptjent egenkapital | | -3 885 838 000 | -3 449 138 000 |
| Sum egenkapital | | 430 595 000 | -2 686 106 000 |
| Gjeld | | | |
| Langsiktig gjeld | | | |
| Utsatt skatt | 11 | 376 854 000 | 110 818 000 |
| Lease Liabilities | 17 | 64 802 000 | 43 328 000 |
| Provisions for other liabilities and charges | 17 | 2 436 443 000 | 2 365 954 000 |
| Sum avsetninger for forpliktelser | | 2 878 099 000 | 2 520 100 000 |
| Annen langsiktig gjeld | | | |
| Gjeld til kredittinstitusjoner | 15 | 810 597 000 | 56 499 000 |
| Langsiktig konserngjeld | 18 | 2 198 352 000 | 2 328 705 000 |
| Sum annen langsiktig gjeld | | 3 008 949 000 | 2 385 204 000 |
| Sum langsiktig gjeld | | 5 887 048 000 | 4 905 304 000 |
| Kortsiktig gjeld | | | |
| Current interest-bearing liabilities to credit institution | 15 | 0 | 740 000 000 |
| Trade payables and other current liabilities | 16 | 1 245 288 000 | 5 288 979 000 |
| Current lease liabilities | 17 | 14 891 000 | 8 944 000 |
| Provision for other liabilities and charges | 17 | 348 077 000 | 24 775 000 |
| Sum kortsiktig gjeld | | 1 608 256 000 | 6 062 698 000 |
| Sum gjeld | | 7 495 304 000 | 10 968 002 000 |
| SUM EGENKAPITAL OG GJELD | | 7 925 899 000 | 8 281 896 000 |



DNO NORGE AS

ANNUAL REPORT 2020

Directors' Report

Financial Statements

- **Statement of Comprehensive income**
- **Statement of Financial Position**
- **Statement of Cash Flows**
- **Statement of Changes in Equity**
- **Notes**



DIRECTORS' REPORT

THE BUSINESS

DNO Norge AS (DNO Norge or the Company) is engaged in oil and gas exploration, development and production activities on the Norwegian Continental Shelf (NCS). DNO Norge AS is a subsidiary of DNO North Sea plc with ultimate parent being DNO ASA.

In December 2019, as a result of regulatory requirements to merge the NCS activities of the two DNO ASA subsidiaries, DNO Norge AS and DNO North Sea (Norge) AS (DNSN), the shareholding in the Company was acquired by DNO North Sea plc, a subsidiary of DNO ASA. At the same time, the Company entered into a business purchase agreement (the Agreement) with DNSN to acquire all of DNSN's assets, except for tax carry forward losses and incurred unused uplift, and liabilities, for a consideration of a post-tax amount of NOK 3 547 million. The transactions had effective dates 1 January 2019 and were completed on 19 December 2019. Further information on the transaction is disclosed in note 20. The Company funded the acquisition through capital injection from parent DNO North Sea plc on 3 April 2020. The capital injection was done through debt to equity conversion.

The transaction transformed the Company from being an exploration focused company to managing assets in all phases of the industry.

GOING CONCERN

Pursuant to the Norwegian Accounting Act Section §3-3a, the Board of Directors ("the Board") confirms that the requirements of the going concern assumption are met and that the annual accounts have been prepared on that basis.

OPERATIONAL REVIEW

Activity overview

The Company has diversified production across eight fields in the NCS.

Temporary Norwegian petroleum tax incentives are driving stepped-up investment plans. The Company is moving toward concept selection for the Brasse field, actively evaluating Iris/Hades, Røver Nord, Alve Gjøk, Orion/Syrah and Trym South discoveries for project sanction in 2022 and accelerating infill drilling at Ula, Tambar and Brage producing fields in 2021.

Across the Company's portfolio, 12 wells were spud in 2020, including five exploration wells and seven development wells. The appraisal of Bergknapp discovery, among Norway's largest discoveries in 2020, is scheduled for Q2 2021. Røver Nord, which was the last exploration well spud in 2020, yielded a significant discovery announced in early 2021. The Company maintains an active exploration program targeting 4-6 wildcat wells per year.

Production

Company Working Interest (CWI) production averaged 16.465 barrels of oil equivalent per day (boepd) during 2020 (2019:16.478 boepd).

Reserves

On a CWI basis at yearend 2020, proven (1P) reserves for the Company totaled 40.0 million barrels of oil equivalent (MMboe), proven and probable (2P) reserves totaled 63.1 MMboe and proven, probable and possible (3P) reserves totaled 93.9 MMboe. On a CWI basis at yearend 2019, 1P reserves for the Company totaled 47.5 MMboe, 2P reserves totaled 68.3 MMboe and 3P reserves totaled 99.5 MMboe.

FINANCIAL REVIEW

The financial review of the income statement for 2020 is based on the pro forma consolidated comparatives for 2019, as presented in Note 20.

Total revenues in 2020 stood at NOK 2 130.9 million, compared to NOK 2 072.5 million in 2019. The increase is due to higher lifted volumes in 2020, partially offset by declining commodity prices triggered by the Covid-19 pandemic and global economic contraction.

The Company had an operating loss of NOK 985.4 million in 2020, compared to an operating profit of NOK 4.0 million in 2019. The operating loss in 2020 was impacted by non-cash impairments and depletion, partly offset by lower expensed exploration.



In 2020, the total cost of goods sold was NOK 2 022.5 million, compared to NOK 1 421.0 million in 2019. The increase in cost of goods sold was primarily related to higher DD&A, from NOK 499.9 million in 2019 to NOK 875.6 million in 2020 driven by higher DD&A per barrel of oil equivalent (boe).

The Company's total pre-tax impairment charges stood at NOK 518.9 million in 2020 (NOK 90.6 million in 2019). The 2020 impairments were mainly related to the impairment of technical goodwill and change in abandonment provisions.

Total expensed exploration costs for the year were NOK 410.3 million, compared to NOK 1 177.2 million in 2019. The decrease in expensed exploration costs was driven primarily by lower exploration drilling activities and higher capitalized exploration costs following discoveries (Bergknapp and Røver Nord).

Net financial expenses for 2020 stood at NOK 256.4 million, compared to NOK 334.0 million in 2019. The decrease is mainly driven by unrealized foreign exchange gains on long term debt, offset by increased interest expense.

Total acquisition and development costs stood at NOK 797.4 million in 2020, compared to NOK 1 155.6 million in 2019. The lower 2020 acquisition and development costs came as a result of the Company's cost cutting measures and deferral of non-critical or discretionary drilling and capital projects following plunging oil and gas prices triggered by the Covid-19 pandemic and global economic contraction.

At yearend 2020, total assets stood at NOK 7 925.9 million, compared to NOK 8 281.9 million at yearend 2019. The decrease in total assets was mainly due to reduced underlift and accrued income as the Company lifted more volumes in late December, and tax receivables as the Company has utilised option of negative tax instalment under the temporary tax regime implemented in June 2020.

The Company ended the year with NOK 880.1 million in cash and NOK 3 008.9 million in net interest-bearing debt, compared to NOK 464.4 million and NOK 3 125.2 million at yearend 2019, respectively.

Total liabilities decreased from NOK 10 968.0 million at yearend 2019 to NOK 7 495.3 million at yearend 2020 mainly due to the conversion of NOK 3 553.2 million in intercompany debt to equity. The equity ratio stood at 5.4 percent at yearend 2020, compared to negative equity at yearend 2019 due to merger with DNO North Sea (Norge) AS.

In 2020, the net cash flows increased with NOK 415.7 million. The increase was primarily due to tax refunds of NOK 1 504.0 million, whereof NOK 679.7 million related to negative tax instalments under the temporary tax regime implemented in June 2020. Tax refunds were offset by a NOK 1 243.2 million in capital and abandonment spending during the year.

The tax income for the year amounted to NOK 805.1 million (NOK 802.5 million in 2019) and the net loss for the year amounted to NOK 436.7 million (net profit of NOK 475.5 million in 2019).

The Board proposes that the net loss for the year is transferred to other equity.

RESEARCH AND DEVELOPMENT

The Company's target is to create value through generation of prospects, exploration, development and production on the Norwegian Continental Shelf. To achieve this target, the Company uses high technology and software and has set a goal to be a leading company in several key technologies. Technology within exploration, drilling, development and production undergoes a continuous development process, and the Company participates in several technology projects in connection with license work. The Company also participates in various research and development projects with both research institutions and universities ranging from short to long term projects.

HEALTH, SAFETY AND ENVIRONMENT

For activity where the Company is operator, no severe personal injuries, high potential incidents, or incidents that have caused impact on the workforce external environment or assets, occurred in 2020. However, the majority of DNO Norge's activities are undertaken in licenses where other companies are operator, with DNO Norge as a non-operating partner. To ensure safe operations and to comply with the regulations, DNO Norge follows up on its operators, contractors and partners through our audit, review and verification activities. These activities are based on risk evaluations. There have been no serious incidents effecting personnel on partner operated activity during 2020.

To ensure continuous improvement, experiences from our operated and non-operated activities are systematically captured, as required, by our integrated Environment, Health and Safety Business Management System ('BMS') and implemented in work processes and procedures. The BMS is consistent with the internationally recognized requirements for Quality, Health, Safety and Environmental management (ISO 9001, OHSAS 18001 and ISO 14001). The BMS has been successfully verified for compliance with the OSPAR Recommendation 2003/5 (based on ISO14001:2015) for Environmental Management over several years. An internal training program ensures familiarity with the BMS. On this basis, DNO Norge is qualified and accepted as an operator in Norway.



OCCUPATIONAL HEALTH

The Company operates from modern offices in Stavanger. The Company has an active Working Environment Committee (WEC) which meets quarterly to discuss the health and wellbeing of the workforce.

As a result of the oil price drop and the COVID-19 pandemic, the Company went through a downsizing and reorganization in the spring of 2020. During the year the office has been closed for long periods and all employees have worked from home. In the 4th quarter the company conducted a mapping of the home office situation. The general feedback is that the Company has done a good job of arranging for home offices and that the flow of information has been satisfactory. At the same time, the Company also carried out a work environment survey. General feedback from the survey is that employees have positive challenges and an interesting job and that most are generally satisfied with the work situation.

As part of the employment benefits, the company offers good schemes for pension savings and insurance. The Company offers private medical coverage for employees, which includes counseling for work / life issues such as stress.

At the end of 2020, the Company employed 87 staff (2019: 88), of which 46 percent are women and 54 percent men. Sick leave was 2.1 percent during 2020 (2019:2.2 percent). One male employee has worked part time during 2020. A total of 5 employees were on parental leave. Women had an average of 21 weeks of parental leave and men had an average of 7 weeks of parental leave.

The Company aims to be a workplace where there is full equality between women and men and has incorporated a policy that aims to ensure that there is no discrimination based on gender. The Company is actively working to prevent discrimination due to disability, ethnicity, national origin, religion or belief, with new initiatives to be considered in 2021.

RISK AND UNCERTAINTY

Aside from the generic risks that face all businesses, the Company's business, financial condition or results of operations could be materially and adversely affected by any of the risks described below. These risks should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties and additional risks and uncertainties that are not presently known to the directors, or which they currently deem immaterial, may also have an adverse effect on the Company's operating results, financial condition and prospects. Whilst the risks below have been laid out in order of priority, it should be stressed that in so doing both magnitude and probability have been combined, to assess the scale, which is imperfect e.g. the probability of a major uninsured event is low but the consequences potentially very significant.

Financial risk

Risks related to oil and gas prices, interest rates and currency exchange rates, liquidity risk, concentration risk and credit risk constitute financial risks for the Company. In order to minimize any potentially adverse effects from such risks, financial risk is managed by the finance function under policies approved by the Board of Directors. For more information about how the Company manage financial risk, see Note 19 in the annual accounts.

Operational risk

The Company is exposed to operational risks across its portfolio. Operational risk applies to all stages of upstream operations, including exploration, development and production. Failure to manage operations efficiently can manifest itself in project delays, cost overruns, higher-than-estimated operating costs and lower-than-expected oil and gas production and/or reserves. Exploration activities are capital intensive and involve a high degree of geological risk. Sustained exploration failure can affect the future growth and upside potential of the Company.

The ability to effectively manage and deliver value from exploration, development and production activities is dependent on the quality of the Company's staff and contractors. Inefficiency or interruption to our supply chain or the unwillingness of service contractors to engage in our areas of operation may also negatively affect operations.

The outbreak of the Covid-19 pandemic and plunging oil and gas prices had adverse effects on the Company's operations and financial results in 2020. The Board continues to monitor the situation closely and will take necessary steps to secure the Company's operations.

Environmental risk

Oil and gas exploration and production, by its nature, involves exposure to potentially hazardous materials. The loss of containment of hydrocarbons or other dangerous substances could represent material risks. Through operational controls, environmental impact assessments, asset integrity protocols and management systems related to health, safety and the environment, the Company aim to mitigate hazards with a potentially adverse impact on people, the environment, our assets, our profitability and our reputation.

Directors' liabilities

The Company has granted indemnities to the directors against liability in respect of proceedings brought by third parties. Such qualifying third-party indemnity provision remains in force as at the date of approving the directors' report.



EVENTS SINCE THE BALANCE SHEET DATE

10 awards in Norway's APA licensing round

On 19 January 2021, the Company was awarded participation in 10 exploration licenses, of which four are operatorships, under Norway's Awards in Predefined Areas (APA) 2020 licensing round. Of the 10 new licenses, six are in the North Sea and four in the Norwegian Sea.

Discovery in the Norwegian Sea

On 5 February 2021, the operator of production license 923 Equinor Energy AS announced a discovery of between 45 and 70 MMboe at the Røver Nord prospect of which DNO Norge AS holds a 20 percent interest. The partners are considering fast-track development of the discovery with tie-back to nearby Troll area infrastructure, as well as additional drilling to test other identified prospects on the license.

Stavanger, 21 June 2021

Bjørn Kenneth Dale
Chairman of the Board

Nicholas John Paul Whiteley
Board member

Ørjan Gjerde
Managing Director



Statements of comprehensive income

1 January – 31 December

| NOK 000 | Note | | |
|---|------|-------------------|-----------------|
| | | 2020 | 2019 |
| Revenues | 3 | 2 130 922 | - |
| Cost of goods sold | 4 | -2 022 484 | - |
| Gross profit | | 108 438 | - |
| Exploration expenses | 5 | -410 258 | -492 459 |
| Payroll expenses | 6 | -76 755 | -53 915 |
| General and administrative expenses | 7 | -67 012 | -58 918 |
| Depreciation non oil & gas assets | 9 | -20 974 | -6 213 |
| Impairment of oil and gas assets | 9 | -518 856 | - |
| Profit/-loss from operating activities | | -985 417 | -611 505 |
| Financial income | 10 | 91 229 | 3 398 |
| Financial expenses | 10 | -347 655 | -45 972 |
| Profit/-loss before income tax | | -1 241 842 | -654 079 |
| Tax income/-expense | 11 | 805 142 | 491 988 |
| Net profit/-loss | | -436 701 | -162 091 |
| Other comprehensive income, net of tax | | - | - |
| Total comprehensive income, net of tax | | -436 701 | -162 091 |




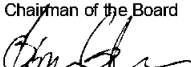
Statements of financial position


Years ended 31 December

| NOK 000 | Note | 2020 | Restated 2019 |
|--|------|------------------|-------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Goodwill | 8 | 568 694 | 891 396 |
| E&A and other intangible assets | 8 | 1 082 412 | 812 409 |
| Property, plant and equipment | 9 | 4 095 608 | 4 019 103 |
| Lease receivable | | 3 117 | - |
| Total non-current assets | | 5 749 831 | 5 722 909 |
| Current assets | | | |
| Trade receivables and other current assets | 12 | 885 681 | 1 251 539 |
| Tax receivables | 11 | 410 205 | 843 004 |
| Cash and cash equivalents | 13 | 880 182 | 464 445 |
| Total current assets | | 2 176 068 | 2 558 987 |
| TOTAL ASSETS | | 7 925 899 | 8 281 896 |
| EQUITY AND LIABILITIES | | | |
| Equity | | | |
| Share capital | 14 | 152 700 | 76 170 |
| Other reserves | 14 | 4 163 733 | 686 862 |
| Retained earnings | - | 3 885 838 | 3 449 138 |
| Total equity | | 430 595 | 2 666 106 |
| Non-current liabilities | | | |
| Deferred tax liabilities | 11 | 376 854 | 110 818 |
| Interest-bearing liabilities to group companies | 18 | 2 198 352 | 2 328 705 |
| Interest-bearing liabilities to credit institution | 15 | 810 597 | 56 499 |
| Lease liabilities | 17 | 84 802 | 43 328 |
| Provisions for other liabilities and charges | 17 | 2 436 443 | 2 365 954 |
| Total non-current liabilities | | 5 887 047 | 4 905 304 |
| Current liabilities | | | |
| Trade payables and other current liabilities | 16 | 1 245 289 | 5 289 977 |
| Current interest-bearing liabilities to credit institution | 15 | - | 740 000 |
| Current lease liabilities | 17 | 14 891 | 8 944 |
| Provisions for other liabilities and charges | 17 | 348 077 | 24 775 |
| Total current liabilities | | 1 608 257 | 6 062 697 |
| Total liabilities | | 7 495 304 | 10 968 001 |
| TOTAL EQUITY AND LIABILITIES | | 7 925 899 | 8 281 896 |

Stavanger, 21 June 2021


 Bjørn Kenneth Dale
 Chairman of the Board


 Bryan Gjerde
 Managing Director


 Nicholas John Paul Whiteley
 Board member



Statement of cashflows

1 January – 31 December

| NOK 000 | Note | Restated | |
|--|-----------|-------------------|-----------------|
| | | 2020 | 2019 |
| Operating activities | | | |
| profit/(loss) before tax for the year | | -1241842 | -654 080 |
| Adjustments to add/-deduct non-cash items: | | | |
| Exploration cost capitalized in previous years carried to cost | 5 | 161577 | 199 652 |
| Depreciation, depletion and amortization | 9 | 896 541 | 6 213 |
| Tax refunded | 11 | 1503 975 | 245 643 |
| Impairment of oil & gas assets | 9 | 518 856 | - |
| Other | | 94 608 | 1671 |
| Changes in working capital items and provisions: | | | |
| Changes in provisions | | -17 648 | 8 386 |
| Changes in trade receivables | | 365 858 | -30 895 |
| Changes in trade payables | | -430 467 | -82 815 |
| Changes in other current balance sheet items | | -130 353 | -52 272 |
| Cash generated from operations | | 1 661 105 | -358 496 |
| Investing activities | | | |
| Purchases of intangible assets | 8 | -431 580 | -196 056 |
| Purchases of tangible assets | 9 | -797 449 | -7 746 |
| Payments for decommissioning | 17 | -14 145 | - |
| Acquired cash from business transfer DNO North Sea(Norge) AS | 20 | - | 370 407 |
| Net cash from/-used in investing activities | | -1 243 173 | 166 604 |
| Financing activities | | | |
| Proceeds from borrowings | 15 | 1070 597 | 502 601 |
| Repayment of borrowings | 15 | -1056 499 | -230 000 |
| Proceeds from capital increase | 14 | 180 | 338 429 |
| Payments of lease liabilities | 17 | -16 475 | -4 501 |
| Net cash from/-used in financing activities | | -2 197 | 606 529 |
| Net increase/-decrease in cash and cash equivalents | | | |
| Cash and cash equivalents at beginning of the period | | 415 736 | 414 636 |
| Cash and cash equivalents at end of the period | 13 | 880 182 | 464 445 |
| Of which restricted cash | 13 | 97 332 | 101 623 |



Statements of changes in equity

| NOK 000 | Share capital | Other reserves | Paid-up equity not registered | Other equity | Total equity |
|--|----------------|------------------|-------------------------------|-------------------|-------------------|
| Total equity as of 1 January 2019 | 34 730 | 312 285 | 77 587 | -389 507 | 35 095 |
| Profit-loss for the period | - | - | - | -162 091 | -162 091 |
| Other comprehensive income for the year | - | - | - | - | - |
| Total comprehensive income for the year | - | - | - | -162 091 | -162 091 |
| Business transfer at continuity (note 20) | - | - | - | -2 897 540 | -2 897 540 |
| Capital increase, not registered | - | - | -77 587 | - | -77 587 |
| Capital increase | 41 440 | 374 576 | - | - | 416 016 |
| Transactions with shareholders | 41 440 | 374 576 | -77 587 | -2 897 540 | -2 559 111 |
| Total equity as of 31 December 2019 | 76 170 | 686 862 | - | -3 449 138 | -2 686 106 |
| Total equity as of 1 January 2020 | 76 170 | 686 862 | - | -3 449 138 | -2 686 106 |
| Profit-loss for the period | - | - | - | -436 701 | -436 701 |
| Other comprehensive income for the year | - | - | - | - | - |
| Total comprehensive income for the year | - | - | - | -436 701 | -436 701 |
| Capital increase, not registered 2019 | 180 | - | - | - | 180 |
| Capital increase | 76 350 | 3 476 871 | - | - | 3 553 221 |
| Transactions with shareholders | 76 530 | 3 476 871 | - | - | 3 553 401 |
| Total equity as of 31 December 2020 | 152 700 | 4 163 733 | - | -3 885 838 | 430 595 |



Note 1 General Information

The principal activities of the Company are oil and gas exploration, development and production.

The Company's registered office is located at Badehusgata 37, Stavanger, Norway. The Company is included in the consolidated accounts of DNO ASA and DNO North Sea plc. The consolidated annual accounts will be published on the Internet page www.dno.no.

Note 2 Summary of accounting policies

■ Statement of compliance

The financial statements of DNO Norge AS for the year ended 31 December 2020 have been prepared in accordance with International Financial Reporting Standards (IFRS). The Company has used a simplified application of these international accounting standards in accordance with the Norwegian Accounting Act §3-9. The financial statements were approved by the Board of Directors on 21 June 2021.

■ Basis for preparation

The financial statements have been prepared under the historical cost convention, except for certain fair value adjustments required by those accounting policies. The financial statements are presented in Norwegian Kroner (NOK) and all values are rounded to the nearest thousand (NOK 000) except when otherwise indicated. The financial statements have been prepared based on a going concern assumption.

Due to rounding, the figures in one or more rows or columns included in the financial statements and notes may not add up to the subtotals or totals of that row or column.

■ Significant accounting estimates and assumptions

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues and expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities at the reporting date. Estimates and assumptions are based on management's best knowledge and historical experience and various other factors that are believed to be reasonable under the circumstances. Uncertainty about these estimates and assumptions could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below. The Company based its assumptions and estimates on parameters available when the Company's financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Estimates and assumptions

The key assumptions and key sources of estimation uncertainty for the Company are:

- Reserves and resources estimates;
- Contingencies, provisions and litigations;
- Asset retirement obligations
- Impairment/reversal of impairment of oil and gas assets;
- Impairment of technical goodwill;
- Measurement of fair values;
- Acquisition accounting;
- Accounting for exploration costs

Reserves and resources estimate

The Company's reserves and contingent resources are estimated and classified by the Company in accordance with the rules and guidelines of the Society of Petroleum Engineers (SPE) and are in conformity with requirements from the Oslo Stock Exchange for the reporting of reserves and resources.



The reserves are according to the Annual Statement of Reserves and Resources (ASRR), as published by DNO ASA, dated 16 February 2021, classified as in the Norwegian Petroleum Directorate class 1-3.

All estimates of reserves and resources involve uncertainty. The Company's estimates are based on internal assessment where the Company is the operator in a license and based on information received from the operators where the Company is partner in a license. International petroleum consultants Gaffney, Cline & Associates (GCA) carried out an independent assessment of the Company's licenses on NCS.

Important factors that could cause actual results to differ from the estimates include, but are not limited to: technical, geological and geotechnical conditions; economic and market conditions; oil and gas prices; changes in government regulations; interest rates; and currency exchange rates. Specific parameters of uncertainty related to the field/reservoir include but are not limited to: reservoir pressure and porosity; recovery factors; water cut development; production decline rates; gas/oil ratios; and oil properties.

Changes in commodity prices and costs may impact economic cut-off and remaining reserves, which may change the timing of assumed decommissioning activities. Future changes to estimated reserves can also have a material effect on depreciation, impairment of oil and gas fields and operating results. The Company may also not be able to commercially develop its contingent resources that are used in impairment assessments or acquisition accounting where the fair value approach is applied.

Contingencies, provisions and litigations

By their nature, contingencies will only be resolved when one or more uncertain future event occurs or fails to occur. The assessment of the existence and potential quantum of contingencies inherently involves the exercise of significant judgment and the use of estimates regarding the outcome of future events. Management uses its judgment to evaluate certain provisions and legal disputes in order to ensure the correct accounting treatment. This includes the assessment of future asset retirement obligations (ARO), any provisions or contingent payments.

Asset retirement obligations

The Company has recognized significant provisions relating to the decommissioning of oil and gas assets at the end of the production period. Obligations associated with decommissioning assets are recognized at present value of future expenditures on the date they incur. At the initial recognition of an obligation, the estimated cost is capitalized as property, plant and equipment (PP&E) and depreciated over the useful life of the asset (typically by unit-of-production).

It is difficult to estimate the costs for decommissioning at initial recognition as these estimates are based on currently applicable laws and regulations and are dependent on technological developments. Decommissioning activities will normally take place in the distant future, and the technology and related costs are constantly changing. The estimates cover expected removal concepts based on known technology and, in the case of offshore decommissioning, estimated costs of maritime operations, hiring of heavy-lift barges and drilling rigs. As a result, the initial recognition of the liability and the capitalized cost associated with decommissioning obligations, and the subsequent adjustment of these balance sheet items, involve the application of significant judgement. Based on the described uncertainty, there may be significant adjustments in estimates of liabilities that can affect future financial results.

Impairment/reversal of impairment of oil and gas assets

The Company has recognized significant investments in development and production assets (classified under PP&E) and exploration and appraisal assets (classified under intangible assets) in the statements of financial position. Changes in the circumstances or expectations of future performance of an individual asset or a group of assets may be an indicator that the asset is impaired, requiring the carrying amount to be written down to its recoverable amount. Management must determine whether there are circumstances indicating a possible impairment of the Company's oil and gas assets. The estimation of the recoverable amount for the oil and gas assets includes assessments of expected future cash flows and future market conditions, including entitlement production, future oil and gas prices and cost profiles.

Impairments, other than those relating to goodwill, are reversed if the conditions for impairment are no longer present. Evaluating whether an asset is impaired or if an impairment should be reversed requires a high degree of judgment.

Impairment of technical goodwill

Although not an IFRS term, "technical goodwill" is commonly used in the oil and gas industry to describe a category of goodwill arising as an offsetting account to deferred tax recognized in business combinations. The Company has recognized a significant technical goodwill arising from business combinations. There are no specific IFRS guidelines about the allocation of technical goodwill, and the Company has therefore applied the general guidelines for allocating goodwill for the purpose of impairment testing.



In general, technical goodwill is allocated to a cash-generating unit (CGU) or group of CGUs that give rise to the technical goodwill, while any residual goodwill may be allocated across all CGUs based on facts and circumstances in the business combination.

Technical goodwill is exposed to impairment testing whenever there is a significant indicator that the CGU (or groups of CGUs) to which it is allocated is impaired. Moreover, goodwill is not depreciated and hence, impairment of technical goodwill is expected on a recurring basis, unless there are positive changes in underlying assumptions that more than offset the production from the CGU (or groups of CGUs).

When performing the impairment test for technical goodwill, deferred tax recognized in relation to the acquired assets in a business combination reduces the net carrying value prior to the eventual impairment charges. When deferred tax from the initial recognition decreases, more goodwill is exposed for impairment. Going forward, depreciation of values calculated in the purchase price allocations from business combinations will result in decreased deferred tax liability.

Measurement of fair values

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (IFRS 13 *Fair Value Measurement*). The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, including assumptions about risk, assuming that market participants act in their economic best interest. There are situations when the Company is required to measure fair values of non-financial assets and liabilities, for example, in a business combination including allocation of purchase price or when the Company measures the recoverable amount of an asset at fair value less costs to sell in an impairment testing situation.

Fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value. The fair value of oil and gas assets is normally based on discounted cash flow models (income approach), where the determination of different inputs in the model requires significant judgment from management, as described in the section above regarding impairment.

Acquisition accounting

The Company applies the acquisition method for transactions involving business combinations and applies the principles of the acquisition method when an interest or an additional interest is acquired in a joint operation which constitutes a business. Application of the acquisition method may require significant judgement in, among other matters, determining and measuring the fair value of the transaction consideration including contingent consideration elements, identifying all assets acquired and liabilities assumed, establishing their fair values, determining deferred taxes, and allocating the purchase price accordingly, including measurement and allocation of goodwill. The judgements applied in acquisition accounting may materially affect the financial statements both in the transaction period and in future periods.

The assets acquired through business combinations are recognized at fair values and, as such, are sensitive to adverse changes in a number of often volatile economic factors, including future oil and gas prices and the underlying performance of the assets.

Accounting for exploration costs

The Company's accounting policy is to temporarily capitalize drilling expenditures related to exploration wells, pending an evaluation of potential oil and gas discoveries. If resources are not discovered, or if recovery of the resources is not considered technically or commercially viable, the costs of the exploration wells are expensed in the income statement. Decisions as to whether an exploration well should remain capitalized or expensed during the period may have a material effect on the financial results for the period.

Interest in jointly controlled operations (assets)

A joint arrangement is present when DNO Norge holds a long-term interest which is jointly controlled by the Company and one or more other parties under a contractual arrangement in which decisions about the relevant activities require the unanimous consent of the parties sharing control. Such joint arrangements are classified as either joint operations or joint ventures.

Under IFRS 11 *Joint Arrangements*, a joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities. Oil and gas licenses held by the Company which are within the scope of IFRS 11 have been classified as joint operations. The Company recognizes its investments in joint operations by reporting its share of related revenues, expenses, assets, liabilities and cash flows under the respective items in the Company's financial statements.



For those licenses that are not deemed to be joint arrangements pursuant to the definition in IFRS 11, either because unanimous consent is not required among the parties involved, or no single group of parties has joint control over the activity, DNO Norge recognizes its share of related expenses, assets, liabilities and cash flows under the respective items in the Company's financial statements in accordance with applicable IFRS standards. In determining whether each separate arrangement related to the Company's joint operations is within or outside the scope of IFRS 11, DNO Norge considers the terms of relevant license agreements, governmental concessions and other legal arrangements impacting how and by whom each arrangement is controlled.

■ Foreign currency translation and transactions

Transactions and balances

Foreign currency transactions are translated into functional currency of the Company using the exchange rates prevailing at the dates of the transactions. Financial assets and financial liabilities in foreign currencies are translated into functional currency at the balance sheet date exchange rates. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss. Those arising in respect of financial assets and liabilities are recorded on a net basis as a financial item.

■ Classification in the statements of financial position

Current assets and short-term liabilities include items due less than one year from the statements of financial position date, and if longer, items related to the operating cycle. The current portion of long-term debt is included under current liabilities. Other assets and liabilities are classified as non-current assets and non-current liabilities.

■ Fair value

Financial instruments such as investments in equity instruments are measured at fair value at each balance sheet date. Fair value is the price that would be received to sell an asset or be paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows:

- Level 1 - Quoted market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

■ Property, plant and equipment

General

PP&E are recognized at historical cost and adjusted for depreciation, depletion and amortization (DD&A) and impairment charges.

Depreciation of PP&E other than oil and gas assets are generally depreciated on a straight-line basis over expected useful lives, normally varying from three to seven years. Expected useful lives are reviewed at each balance sheet date and, where there are changes in estimates, depreciation periods are changed accordingly.

The carrying amount of the PP&E in the statements of financial position represents the cost less accumulated DD&A and accumulated impairment charges.

Ordinary repairs and maintenance costs, defined as day-to-day servicing costs, are charged to profit or loss during the financial period in which they are incurred. The cost of major repairs and maintenance is included in the asset's carrying amount when it is likely that the Company will derive future financial benefits exceeding the originally assessed standard of performance of the existing asset.

Gains and losses on disposals are determined by comparing the disposal proceeds with the carrying amount and are included in operating profit.

Assets held for sale are reported at the lower of the carrying amount and the fair value, less selling costs.

Exploration and development costs

Capitalized exploration expenditures are classified as intangible assets and reclassified to tangible assets (i.e., PP&E) at the start of the development. For accounting purposes, an oil and gas field is considered to enter the development phase when the technical feasibility and commercial viability of extracting oil and gas from the field are demonstrable, normally at the time of concept selection. All costs of developing commercial oil and gas fields are capitalized, including indirect costs. Capitalized development



costs are classified as tangible assets (i.e., PP&E). Pre-development expenditures up until development project sanction in general do not meet the criteria for capitalization and are expensed as incurred.

Acquired licence rights are recognized as intangible assets at the time of acquisition. Acquired licence rights related to fields in the exploration phase remain as intangible assets when the related fields enter the development or production phase.

Oil and gas assets in production

Capitalized costs for oil and gas assets are depreciated using the unit-of-production (UoP) method. The rate of depreciation is equal to the ratio of oil and gas production for the period over the estimated remaining 2P reserves at the beginning of the period. The future development expenditures necessary to bring those reserves into production are included in the basis for depreciation and are estimated by the management based on current period-end un-escalated price levels. The reserve basis used for depreciation purposes is updated at least once a year. Any changes in the reserves affecting UoP calculations are reflected prospectively.

Component cost accounting/decomposition

The Company allocates the amount initially recognized in respect of an item of PP&E to its significant parts and depreciates separately each such part over its useful life. DNO Norge has defined the oil and gas field (or group of oil and gas fields) or license level as the lowest level at which separate cash flows can be identified.

Borrowing costs

Interest costs directly attributable to the construction phase of PP&E assets are capitalized during the period required to complete and prepare the asset for its intended use. Borrowing costs consist of interest and other costs that the Company incurs in connection with the borrowing of funds.

Other borrowing costs are expensed when incurred. The capitalization of borrowing costs is recorded based on the average interest rate for the Company in the period. The capitalized borrowing costs cannot exceed the actual borrowing costs in each period.

■ Intangible assets

General

Intangible assets are stated at cost, less accumulated amortization and accumulated impairment charges. Intangible assets include acquisition costs for oil and gas licenses, expenditures on the exploration for oil and gas resources, technical goodwill and other intangible assets. Goodwill is not depreciated.

The useful lives of intangible assets are assessed as either finite or infinite. Amortization of intangible assets is based on the expected useful economic life and assessed for impairment whenever there is an indication that the intangible asset might be impaired. The impairment assessment of intangible assets with infinite lives is undertaken annually.

Exploration and evaluation assets

The Company uses the successful efforts method to account for its exploration and evaluation assets. All exploration costs (including purchase of seismic, geological and geophysical costs and general and administrative costs), except for acquisition costs of licenses and drilling costs of exploration wells, are expensed as incurred. Acquisition costs of licenses and drilling costs of exploration wells are temporarily capitalized pending the determination of oil and gas resources. These costs include directly attributable employee remuneration, materials and fuel used, rig costs and payments to contractors. Continued capitalization of such costs is assessed for impairment at each reporting date. The main criterion is that there must be plans for future activity in the licence or that a development decision is expected in the near future. If reserves or resources are not found, or if discoveries are assessed not technically or commercially recoverable, the costs of exploration wells and licenses are expensed.

■ Impairment/reversal of impairment

At the end of each reporting period, the Company assesses whether there is any indication that an asset (exclusive of goodwill) may be impaired. If a significant impairment indicator is concluded to exist, an impairment test is performed.

Indications of impairment may include a decline in the long-term oil and gas price (or short-term oil and gas price for late-life oil and gas fields), changes in future investments or significant downward revision of reserve and resource estimates. For the purposes of impairment assessment, assets are grouped at the lowest levels for which there are separable identifiable cash inflows (i.e., CGU). For oil and gas assets, a CGU may be individual oil and gas fields, or a group of oil and gas fields that are connected to the same infrastructure/production facilities, or a license.



An impairment loss is recognized when the carrying amount exceeds the recoverable amount of an asset. The recoverable amount is the higher of the asset's fair value less costs to sell and its value in use. Fair value less costs to sell determined through either the discounted cash flow method (income approach) or the market transactions method (market approach). The value in use can only be determined through the discounted cash flow method.

A previously recognized impairment loss is reversed through the income statement if the circumstances that gave rise to the impairment no longer exist. It is not reversed to an amount that would be higher than if no impairment loss had been recognized. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Technical goodwill

Technical goodwill is tested for impairment annually or more frequently when there are impairment indicators. Those indicators may be specific to an individual CGU or groups of CGUs to which the technical goodwill is related. When performing the impairment test for technical goodwill, deferred tax recognized in relation to the acquired licences reduces the net carrying value prior to the impairment charges.

Impairment is recognized if the recoverable amount of the CGU (or groups of CGUs) to which the technical goodwill is related is less than the carrying amount.

Impairment of goodwill cannot be reversed in future periods.

■ Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial instruments are initially recognized at fair value. After initial recognition the measurement and accounting treatment depend on the type of instrument and classification.

Financial assets

Financial assets are classified at initial recognition and subsequently measured at:

- Amortized cost;
- Fair value through other comprehensive income (FVTOCI); and
- Fair value through profit or loss (FVTPL).

Financial assets at amortized cost

Financial assets are measured at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired. The Company's financial assets at amortized cost include trade and other receivables.

Financial assets designated at FVTOCI

Upon initial recognition, equity investments can be irrevocably classified as equity instruments designated at FVTOCI. Gains and losses on these financial assets are not recycled to profit or loss at later periods. Equity instruments designated at FVTOCI are not subject to an impairment assessment.

Financial assets at FVTPL

Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL or financial assets mandatorily required to be measured at fair value. Financial assets at FVTPL are carried in the statements of financial position at fair value with net changes in fair value recognized in profit or loss. Dividends on listed equity investments are also recognized as other income in profit or loss when the right of payment has been established. The Company does not have significant assets designated at FVTPL.



Derecognition of financial assets

A financial asset is derecognized when the Company:

- No longer has the right to receive cash flows from the asset;
- Retains the right to receive cash flows from the asset but has assumed an obligation to pay them in full without material delay to a third party under a pass-through arrangement; or
- Has transferred its rights to receive cash flows from the asset and either has transferred substantially all the risks and rewards of the asset or has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred the control of the asset.

Impairment of financial assets

An allowance is recognized for expected credit losses (ECLs) for all debt instruments not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that are expected to be received, discounted at an approximation of the original effective interest rate.

ECLs are recognized in two stages. For credit exposures with no significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months. For credit exposures with significant increase in credit risk since initial recognition, a loss allowance is provided for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default.

For trade receivables, a simplified approach is applied in calculating ECLs. Changes in credit risk are not tracked but instead a loss allowance based on lifetime ECLs at each reporting date is recognized. Expected credit losses are based on a multifactor and holistic analysis and depend on historical experience with the customers adjusted for forward-looking factors specific to the customers and the economic environment.

Financial assets are assessed with regards to default when contractual payments are past the established payment due date and there is internal or external information indicating that the Company is unlikely to receive the outstanding contractual amounts in full. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial liabilities

Financial liabilities are classified at initial recognition as financial liabilities at FVTPL, loans and borrowings or payables.

All financial liabilities are recognized initially at fair value and in the case of loans/borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables and loans.

The subsequent measurement of financial liabilities depends on the classification. No financial liabilities have been designated at FVTPL. Interest-bearing loans are after initial recognition measured at amortized cost using the effective interest rate method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The amortization cost is included as finance expense in the statements of comprehensive income.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such a modification is treated as a derecognition of the original liability and a recognition of a new liability. The difference in the respective carrying amounts is recognized in the statements of comprehensive income.

Cash and cash equivalents

Cash and short-term deposits in the statements of financial position comprise cash held in banks, cash in hand and short-term deposits with an original maturity of three months or less.

■ Equity

Ordinary shares

Ordinary shares are classified as equity. Costs directly attributable to the issue of ordinary shares and share options are recognized as a reduction of equity, net of any tax effects.



Dividend

Liability to pay a dividend is recognized when the distribution is authorized by the shareholders. A corresponding amount is recognized directly in equity.

■ Financial income and expenses

Financial income comprises: interest income and foreign exchange gains. Interest income is recognized as it accrues in profit or loss using the effective interest method.

Financial expenses comprise: interest expenses on loans; unwinding of the discount on provisions; and foreign exchange losses.

Foreign exchange gains or losses from financial instruments are reported as financial income or financial expenses.

■ Inventories

Inventories are valued at the lower of cost and net realizable value. Cost is determined by the first-in, first-out (FIFO) method. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated selling expenses.

■ Revenue recognition

Revenue from contracts with customers is recognized when the customer obtains control of the oil and gas, which normally will be when title passes at the point of delivery.

A liability (overlift) arises when the Company sells more than its share of the oil and gas production. Similarly, an asset (underlift) arises when the sale is less than the Company's share of the oil and gas production.

Overlift/underlift balances are valued at production cost including depreciation. The movements in overlift/underlift are presented as an adjustment to Cost of goods sold.

Tariff income from processing of oil and gas is recognized as earned in line with underlying agreements.

Revenues from the sale of services are recognized when services are performed.

Other revenues are recognized when the goods or services are delivered, and material risk and control are transferred.

■ Income taxes

Tax income/expense consists of taxes receivable/payable and changes in deferred tax. Taxes receivable/payable are based on the amounts receivable or payable to the tax authorities. Deferred tax liability is calculated on all taxable temporary differences, unless there is a recognition exception. A deferred tax asset is recognized only to the extent that it is probable that the future taxable income will be available against which the asset can be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and deferred tax liabilities are recognized irrespective of when the differences are reversed. They are recognized at their nominal value and classified as non-current assets/liabilities in the statements of financial position.

Tax payable and deferred tax are recognized directly in the equity to the extent that they relate to items charged directly to equity. For treatment of tax in relation to business combinations, see the Business combinations section.

■ Business combinations

In accordance with IFRS 3 *Business Combinations*, an acquisition is considered a business combination, when the acquired asset or groups of assets constitute a business (i.e., an integrated set of operations and assets conducted and managed for the purpose of providing a return to the investors).

Acquired businesses are included in the financial statements from the transaction date. The transaction date is defined as the date on which the Company achieves control over the financial and operating assets. This date may differ from the actual date on which the assets are transferred.



For accounting purposes, the acquisition method is used in connection with the purchase of businesses. Acquisition cost equals the fair value of the assets used as consideration, including contingent consideration, equity instruments issued and liabilities assumed in connection with the transfer of control. Acquisition cost is measured against the fair value of the acquired assets and assumed liabilities. Identifiable intangible assets are included in connection with acquisitions if they can be separated from other assets or meet the legal contractual criteria. If the acquisition cost at the time of the acquisition exceeds the fair value of the acquired net assets (when the acquiring entity achieves control of the transferring entity), goodwill arises.

If the fair value of the acquired net assets exceeds the acquisition cost on the acquisition date, the excess amount is taken to profit or loss immediately.

Goodwill is allocated to the CGUs or groups of CGUs that are expected to benefit from synergy effects of the acquisition. The allocation of goodwill may vary depending on the basis of its initial recognition.

The goodwill that is recognized by the Company is related to technical goodwill and is recognized due to the requirement to recognize deferred tax for the difference between the assigned fair values and the related tax base. The fair values of the Company's licences are based on cash flows after tax. This is because these licences are sold only on an after-tax basis. The purchaser is therefore not entitled to a tax deduction for the consideration paid above the seller's tax values. In accordance with IAS 12, a provision is made for deferred tax corresponding to the tax rate multiplied by the difference between the fair values of the acquired assets and the transferred tax depreciation basis (i.e., tax values).

The offsetting entry to this deferred tax is goodwill. Hence, goodwill arises as a technical effect of deferred tax. Technical goodwill is tested for impairment separately for each CGU which gives rise to the technical goodwill. A CGU may be individual oil fields, or a group of oil fields that are connected to the same infrastructure/production facilities, or a license.

The estimation of fair value may be adjusted up to 12 months after the acquisition date if new information emerges about facts and circumstances that existed at the time of the takeover and which, had they been known, would have affected the calculation of the amounts that were included from that date.

Acquisition-related costs, except costs to issue debt or equity securities, are expensed as incurred. Taxes payable and deferred tax are recognized directly in the equity to the extent that they relate to items charged directly to the equity.

■ License acquisitions, farm-in/out and license swaps

License acquisitions

For acquisition of oil and gas licenses, individual assessment is made whether the acquisition should be treated as a business combination or as an asset purchase. The conclusion may materially affect the financial statements both in the transaction period and in future periods. Generally, purchase of a license in development or production phase is regarded as a business combination, while purchase of a license in the exploration phase is regarded as an asset purchase.

Farm-in and farm-out

A farm-in or farm-out of an oil and gas license takes place when the owner of a working interest (the farmor) transfers all or a portion of its working interest to another party (the farmee) in return for an agreed upon consideration and/or action, such as conducting subsurface studies, drilling wells or developing the asset. Any cash consideration received directly from the farmee is credited against costs previously capitalized in relation to the whole interest with any excess accounted for by the farmor as a gain on disposal. The farmee capitalizes or expenses its costs as incurred according to the accounting method it is using. There are no accruals for future commitments in farm-in/farm-out agreements in the exploration and evaluation phase and no profit or loss is recognized by the farmor. In the development or production phase, a farm-in/farm-out agreement will be treated as a transaction recorded at fair value as represented by the costs carried by the farmee. Any gain or loss arising from the farm-in/farm-out is recognized in the statements of comprehensive income.

License swaps

License swaps are calculated at the fair value of the asset being exchanged, unless the transaction lacks commercial substance, or neither the fair value of the asset received, nor the fair value of the asset divested, can be effectively measured. In the exploration phase, the Company normally recognizes license swaps based on historical cost basis, as the fair value is often difficult to measure. If the transaction is determined to be a business combination, the requirements of IFRS 3 apply.



■ Employee benefits

Pensions

The Company's pension obligations in Norway are limited to certain defined contribution plans which are paid to pension insurance plans and charged to profit or loss in the period in which they are incurred. Once the contributions are paid there are no further obligations.

Share-based payments

Cash-settled share-based payments are recognized in the income statement as expenses during the vesting period and as a liability. The liability is measured at fair value and revaluated using the Black & Scholes pricing model at each balance sheet date and at the date of settlement, with any change in the fair value recognized in the income statement for the period.

■ Provisions and contingent liabilities

A provision is recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is likely that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the obligation amount. When the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset, but only if the reimbursement is certain. The expense related to any provision is presented in profit or loss, net of any reimbursement. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

The amount of the provision is the present value of the risk-adjusted expenditures expected to be required to settle the obligation, determined using the estimated risk-free interest rate and a credit margin as the discount rate. Where discounting is used, the carrying amount of the provision increases in each period to reflect the unwinding of the discount by the passage of time. This increase is recognized as other financial expenses.

Contingent liabilities are not recognized but are disclosed unless the possibility of an outflow of resources is remote.

Asset retirement obligations (ARO)

Provisions for ARO are initially recognized at the present value of the estimated future costs determined in accordance with local conditions and requirements.

A corresponding ARO asset (included in PP&E) of an amount equivalent to the provision is also recognized initially. This is subsequently depreciated as part of the capital costs of the production and transportation facilities.

The ARO provisions and the discount rates are reviewed at each balance sheet date. The discount rates used in the calculation of the present value of the ARO are pre-tax risk-free rates with the addition of a credit margin. The risk-free rate used has a maturity date that is expected to coincide with the time the removal will be affected and denominated in the same currency as the expected future expenditures. According to IFRIC 1 *Changes in Existing Decommissioning, Restoration and Similar Liabilities*, changes in the measurement of the ARO resulting from a change in the timing or amount of the outflow of resources embodying economic benefits required to settle the obligation, or a change in the discount rate, are added to or deducted from the cost of the related asset. Changes in the estimated ARO provisions impact the ARO asset in the period in which the estimate is revised.

■ Related parties

Parties are related if one party has the ability to directly, jointly or indirectly control the other party or exercise significant influence over the party in making financial and operating decisions. Management is also considered to be a related party.

Transactions between related parties are transfers of resources, services or obligations, regardless of whether a price is charged. All transactions between the related parties are recorded at market value.

■ Leases

IFRS 16 Leases was issued in January 2016 and replaced IAS 17 Leases. The Company implemented IFRS 16 on 1 January 2019. The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company applies a single recognition and measurement approach for all leases, except for short-term leases (12 months or less) and leases of low-value assets. Short term leases and leases of low value assets have not been reflected in the balance sheet but expensed or capitalized as incurred, depending on the activity in which the leased asset is used.



At the commencement date of a lease, the Company recognizes a liability to make lease payments and an asset representing the right to use the underlying asset (right-of-use (RoU) asset) during the lease term. The RoU assets are measured to cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The RoU assets are depreciated linearly over the lifetime of the related lease contract. Lease liabilities are measured at the present value of lease payments to be made over the lease term. In calculating the present value of lease payments, the Company uses the implicit interest rate and if not readily determinable, its incremental borrowing rate at the lease commencement date.

Extension options are included in the lease liability when, based on the management's judgement, it is reasonably certain that an extension will be exercised.

In the statements of comprehensive income, operating lease costs, relating to contracts contain a lease, are replaced by depreciation and interest expense. In the cash flow, lease payments related to lease liabilities recognized in accordance with IFRS 16, are presented as cash flow used in financing activities.

The Company's RoU assets mainly relate to office rent and equipment. The Company also leases computers and IT equipment with contract terms of one to three years but has elected to apply the practical expedient on low value assets and does not recognize lease liabilities or RoU assets and the leases are instead expensed when the costs are incurred.

Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year.

Amendments and interpretations may apply for the first time in 2020 but are not considered to have any material impact on the Company's financial statements.

Restated Provision account from short term receivable to restricted cash

For the year ended 2020, the Company has decided to classify deposit for future decommissioning expenditure as cash and cash receivables. As a consequence, the deposit balance of NOK 90.3 million per 31 December 2019, reported as short-term receivable in the 2019 signed financial statements, has been restated to cash and cash equivalents.

Note 3 Revenues

| NOK 000 | 2020 | 2019 |
|---|------------------|-------------|
| Sale of oil | 1 692 250 | - |
| Sale of gas | 254 357 | - |
| Sale of natural gas liquids(NGL) | 131 062 | - |
| Tariff income | 53 253 | - |
| Total revenues from contracts with customers | 2 130 922 | - |

Note 4 Cost of goods sold

| NOK 000 | 2020 | 2019 |
|--|-------------------|-------------|
| Lifting costs | -711 576 | - |
| Tariff and transportation expenses | -330 994 | - |
| Production cost based on produced volumes | -1 042 570 | - |
| Movement in over/underlift | -84 523 | - |
| Production cost based on sold volumes | -1 127 093 | - |
| Obsolence provision | -19 825 | - |
| Depreciation, depletion and amortization | -875 567 | - |
| Total cost of goods sold | -2 022 484 | - |



Note 5 Exploration expenses

| NOK 000 | 2020 | 2019 |
|---|-----------------|-----------------|
| Exploration expenses, previously capitalised | -161 577 | -199 652 |
| Exploration expenses related to licence participation | -224 250 | -101 579 |
| Other exploration expenses (seismic, licence rounds etc.) | -24 430 | -191 228 |
| Exploration expenses | -410 258 | -492 459 |

The Company participated in five exploration wells during 2020, whereof one appraisal well and two discoveries. Two wells were determined not commercial. Well cost related to these drilling campaigns was therefore written off. The write off charge mainly related to PL827 (NOK 115.6 million) and PL1027 (NOK 50.7 million).

Note 6 Payroll expenses

| NOK 000 | 2020 | 2019 |
|---|----------------|----------------|
| Salaries | -131 085 | -55 709 |
| Social security tax | -20 252 | -9 146 |
| Pension costs | -15 493 | -4 383 |
| Other personnel expenses | -4 629 | -3 818 |
| Cost recharged to joint ventures and group entities | 94 704 | 19 141 |
| Payroll expenses | -76 755 | -53 915 |

The Company recharges cost to operated joint ventures and work performed on behalf of related parties.

The Company had an average of 93.1 FTE's during 2020 (2019: 28.2 FTE). At year end the Company had 87 employees (2019: 88).

Pensions

DNO Norge AS has established a defined contribution scheme for its employees. The scheme meets the requirements for mandatory pension in Norway.

Share Based Payments

The Company had a share-based payment arrangement which lapsed in 2020. As a result, the entire provision per 31 December 2019, NOK 18.7 million was recognised as income for 2020, compared to a cost of NOK 7.1 million in 2019. The change in fair value for the scheme was mainly caused by assumptions on satisfaction of the service condition, achievement of non-market-based performance conditions and share price appreciation.

Certain members of the executive management and staff have been awarded synthetic shares during the year as part of their variable remuneration. At yearend 2020, the Company's liability for synthetic shares as part of other variable remuneration amounted to NOK 1.8 million (2019: NOK 2.1 million). Recognised cost was NOK 0.7 million in 2020 (2019: NOK 1.3 million).

Key management remuneration

| NOK 000 | Salary | Pension | Other benefits | Total |
|-------------------|--------|---------|----------------|-------|
| Managing Director | 2 389 | 123 | 219 | 2 731 |

No members of the Board of Directors have received any remuneration in 2020 or 2019.

No loans have been granted and no guarantees have been issued to the Managing Director or any member of the Board of Directors.

The Managing Director participates in the employee incentives scheme that has been established for the Company.

Total remuneration to Managing director during 2020 was NOK 7 370, which included other benefits of NOK 3 million related to severance pay to Managing Director leaving the Company in April 2020.



Note 7 Administrative expenses

| NOK 000 | 2020 | 2019 |
|---|----------------|----------------|
| Office expenses | -4 081 | -2 199 |
| IT expenses | -33 047 | -30 545 |
| Travel expenses | -2 182 | -2 247 |
| Professional services | -93 665 | -26 581 |
| Cost recharged to joint ventures and group entities | 73 387 | 20 917 |
| Other operating expenses | -7 424 | -18 264 |
| Total administrative expenses | -67 012 | -58 918 |

The Company recharges cost to operated joint ventures and work performed on behalf of related parties.

Auditor's fees(ex. Vat)

| NOK 000 | 2020 | 2019 |
|----------------------------|---------------|-------------|
| Auditor's fees | -1 460 | -611 |
| Other financial auditing | -493 | -79 |
| Tax advisory services | -665 | -261 |
| Other advisory services | -36 | - |
| Total auditor's fee | -2 654 | -951 |

Note 8 Intangible Assets

| 2020 - NOK 000 | Goodwill | Exploration assets | Total |
|--------------------------------------|-----------------|---------------------------|------------------|
| As of 1 January 2020 | | | |
| Acquisition costs | 891 396 | 1 044 465 | 1 935 861 |
| Accumulated impairments | - | -232 055 | -232 055 |
| Accumulated depreciation | - | - | - |
| Net book amount | 891 396 | 812 409 | 1 703 805 |
| Period ended 31 December 2020 | | | |
| Opening net book amount | 891 396 | 812 409 | 1 703 805 |
| Additions | - | 431 580 | 431 580 |
| Write offs | -322 702 | -161 577 | -484 279 |
| Closing net book amount | 568 694 | 1 082 412 | 1 651 106 |
| As of 31 December 2020 | | | |
| Acquisition costs | 891 396 | 1 476 045 | 2 367 441 |
| Accumulated impairments | -322 702 | -393 633 | -716 335 |
| Net book amount | 568 694 | 1 082 412 | 1 651 106 |



| 2019 - NOK 000 | Goodwill | Exploration assets | Total |
|--|----------------|--------------------|------------------|
| As of 1 January 2019 | | | |
| Acquisition costs | - | 40 960 | 40 960 |
| Accumulated impairments | - | -32 403 | -32 403 |
| Net book amount | - | 8 556 | 8 556 |
| Period ended 31 December 2019 | | | |
| Opening net book amount | - | 8 556 | 8 556 |
| Additions | - | 196 056 | 196 056 |
| Transferred from DNO North Sea(Norge) AS | 891 396 | 807 449 | 1 698 845 |
| Write offs | - | -199 652 | -199 652 |
| Closing net book amount | 891 396 | 812 409 | 1 703 805 |
| As of 31 December 2019 | | | |
| Acquisition costs | 891 396 | 1 044 465 | 1 935 861 |
| Accumulated impairments | - | -232 055 | -232 055 |
| Net book amount | 891 396 | 812 409 | 1 703 805 |

For further information on acquired assets, see note 20.

Note 9 Property, Plant and Equipment

| 2020 - NOK 000 | Oil & gas assets | Other PP&E | RoU assets | Total |
|--------------------------------------|------------------|---------------|---------------|------------------|
| As of 1 January 2020 | | | | |
| Acquisition costs | 3 949 362 | 25 895 | 54 167 | 4 029 424 |
| Accumulated impairments | - | - | - | - |
| Accumulated depreciation | - | -6 776 | -3 544 | -10 320 |
| Net book amount | 3 949 362 | 19 119 | 50 623 | 4 019 103 |
| Period ended 31 December 2020 | | | | |
| Opening net book amount | 3 949 362 | 19 119 | 50 623 | 4 019 103 |
| Additions | 1 132 521 | 3 066 | 41 734 | 1 177 321 |
| Disposals | - | - | -8 121 | -8 121 |
| Impairments | -196 154 | - | - | -196 154 |
| Depreciation | -875 567 | -8 918 | -12 056 | -896 541 |
| Closing net book amount | 4 010 161 | 13 267 | 72 180 | 4 095 608 |
| As of 31 December 2020 | | | | |
| Acquisition costs | 5 081 883 | 28 962 | 87 779 | 5 198 623 |
| Accumulated impairments | -196 154 | - | - | -196 154 |
| Accumulated depreciation | -875 567 | -15 634 | -15 600 | -906 861 |
| Net book amount | 4 010 161 | 13 267 | 72 180 | 4 095 608 |

Depreciation method

UOP

3-7 years linear



| 2019 - NOK 000 | Oil & gas assets | Other PP&E | RoU assets | Total |
|--|------------------|---------------|---------------|------------------|
| As of 1 January 2019 | | | | |
| Acquisition costs | - | 7 228 | - | 7 228 |
| Accumulated depreciation | - | -4 108 | - | -4 108 |
| Net book amount | - | 3 121 | - | 3 121 |
| Period ended 31 December 2019 | | | | |
| Opening net book amount | - | 3 121 | - | 3 121 |
| Implementation of new IFRS standard | - | - | 19 493 | 19 493 |
| Additions | - | 7 746 | - | 7 746 |
| Acquired business transfer DNO North Sea(Norge) AS | 3 949 362 | 10 921 | 34 674 | 3 994 957 |
| Depreciation | - | -2 669 | -3 544 | -6 213 |
| Closing net book amount | 3 949 362 | 19 119 | 50 623 | 4 019 103 |
| As of 31 December 2019 | | | | |
| Acquisition costs | 3 949 362 | 25 895 | 54 167 | 4 029 424 |
| Accumulated depreciation | - | -6 776 | -3 544 | -10 320 |
| Net book amount | 3 949 362 | 19 119 | 50 623 | 4 019 103 |

Depreciation method

UOP

3-7 years linear

For further information on acquired assets, see note 20

Impairment testing

At each reporting date, the Company assesses whether there is an indication that an asset may be impaired. An assessment of the recoverable amount is made when an impairment indicator exists. Goodwill is tested for impairment annually or more frequently when there are impairment indicators. Impairment is recognized when the carrying amount of an asset or a CGU, including associated goodwill, exceeds the recoverable amount. The recoverable amount is the higher of the asset's fair value less cost to sell and the value in use. For both the value in use and fair value, the impairment testing is performed based on discounted cash flows. The expected future cash flows are discounted to the net present value by applying a discount rate after tax. Cash flows are projected for the estimated lifetime of the fields or license, which may exceed periods longer than five years.

Oil and gas prices

Forecasted oil and gas prices are based on management's estimates and market data. The near-term price assumptions are based on forward curve pricing over the period for which there is deemed to be a sufficient liquid market, and observable broker and analyst consensus. The long-term price assumptions reflect management's best estimate of the oil and gas price development over the life of DNO North Sea's oil and gas fields based on its view of current market conditions and future development. Management's assessment also includes comparison with long-term oil and gas price assumptions communicated by peer companies and other external forecasts. Oil and gas price assumptions applied for impairment testing are reviewed and, where necessary, adjusted on a periodic basis.

The nominal oil and gas price assumptions applied for impairment assessments at yearend 2020 were as follows

| | 2021 | 2022 | 2023 | 2024 |
|-----------------------|------|------|------|------|
| Brent Blend (USD/bbl) | 52.8 | 59.1 | 59.1 | 64.7 |
| NBP (pence/therm) | 41.3 | 37.8 | 41.4 | 45.1 |

For periods after year 2024, the long-term oil and gas price assumptions applied were USD 65.0 per barrel and 45 pence sterling per therm, respectively (in real terms, basis year 2020).



Oil and gas reserves and resources

Future cash flows are calculated on the basis of expected production profiles and estimated proven and probable remaining reserves, and additional risked contingent resources when the impairment assessments are based on the fair value approach. For more information about reserves and resources estimate, see Note 1 and Note 22.

Discount rate

For the fair value calculations, the relevant post-tax nominal discount rates at yearend 2020 were 7.6 percent.

Inflation and currency rates

The long-term inflation rate is assumed to be 2.0 percent independent of the underlying country or currency (unchanged from yearend 2019). The Company has applied the forward curve as basis for currency rates for year 2021 of USD/NOK 8.5 and kept it constant thereafter.

Impairment charge

| NOK 000 | 2020 | 2019 |
|----------------|-----------------|-------------|
| Oselvar | -181 313 | - |
| Vilje | -85 600 | - |
| Marulk | -43 719 | - |
| Ringhorne East | -208 183 | - |
| Other | -41 | - |
| Total | -518 856 | - |

During 2020, a total impairment charge of NOK 518.9 million (NOK 365.9 million post-tax) was recognized, driven by:

- Reduction in reserves estimates (Ringhorne East);
- Revised oil and gas price assumptions (Marulk, and Vilje);
- Upward revision in the cost estimate for decommissioning (Oselvar field)

Note 10 Net financial items

| NOK 000 | 2020 | 2019 |
|------------------------------|-----------------|----------------|
| Interest income | 15 467 | 3 365 |
| Foreign exchange gains(net) | 70 474 | - |
| Other financial income | 5 288 | 33 |
| Financial income | 91 229 | 3 398 |
| Interest expenses | -234 826 | -19 518 |
| Foreign exchange losses(net) | - | -16 010 |
| Other financial expenses | -112 829 | -10 444 |
| Financial expenses | -347 655 | -45 972 |
| Net financial items | -256 425 | -42 574 |

Other financial expenses relate to the amortization of issue costs, premium on bond buybacks and accretion expenses (i.e., unwinding of discount) related to the ARO provisions.



Note 11 Taxation

INCOME TAX BENEFIT/(EXPENSE)

| NOK 000 | 2020 | 2019 |
|---|----------------|----------------|
| Tax refund on loss/exploration expenses NCS | 1 089 931 | 513 083 |
| Change in deferred tax asset/liability | -278 145 | 37 301 |
| Tax refund booked against balance sheet | - | -58 067 |
| Change regarding previous years | -6 643 | -329 |
| Income tax benefit/(expense) | 805 142 | 491 988 |

RECONCILIATION OF INCOME TAX BENEFIT/(EXPENSE)

| NOK 000 | 2020 | 2019 |
|---|----------------|----------------|
| Profit/(loss) before taxes | -1 241 842 | -654 079 |
| Calculated tax according to ordinary rate (22 %) | 273 205 | 143 897 |
| Calculated tax according to special rate (56 %) | 695 432 | 366 284 |
| Permanent differences, incl. Impairment of goodwill | -166 113 | 2 292 |
| Effect of uplift | 190 270 | - |
| Effect of change in tax rates | -3 786 | - |
| Other items, incl. finance and onshore | -177 222 | -20 156 |
| Adjustment previous years | -6 643 | -329 |
| Income tax benefit/(expense) | 805 142 | 491 988 |

| | | |
|---------------------------|---------------|---------------|
| Effective tax rate | 64,8 % | 75,2 % |
|---------------------------|---------------|---------------|

DEFERRED TAX SPECIFICATION

| NOK 000 | 2020 | 2019 |
|---|-----------------|-----------------|
| Oil & gas assets | -2 655 692 | -2 096 595 |
| Office equipment | 3 406 | 2 609 |
| Other items | 29 525 | 8 095 |
| Asset Retirement obligation | 2 158 601 | 1 836 681 |
| Borrowing cost valued at estimated tax rate 30%/40% | -64 789 | -15 144 |
| Deferred tax on future uplift | 1 283 | 2 832 |
| Uplift offshore (56%) | 92 057 | 92 701 |
| Tax loss carried forward | 58 756 | 58 002 |
| Deferred tax liability-asset | -376 854 | -110 818 |

During 2020, the Norwegian Parliament approved certain time limited changes to the taxation of oil and gas companies operating on the NCS with effect from the income year 2020. The changes comprise of immediate expensing of investments in the special petroleum tax, increased uplift on capital investments from 20,8 percent over four years to 24,0 percent in the first year and cash refund of tax value of losses incurred in the income years 2020 and 2021. The temporary changes, other than the cash refund of tax losses, will also apply to investments where the Plan for Development and Operation (PDO) is delivered within 31 December 2022 and approved within 31 December 2023.



RECONCILIATION OF TAX RECEIVABLE

| NOK 000 | 2020 | 2019 |
|---|----------------|----------------|
| Tax receivable at 1 January | 843 004 | 245 972 |
| Tax receivable related to transactions posted directly to balance sheet | - | 387 987 |
| Tax receivable in the income statement | 1 089 931 | 455 017 |
| Tax refunded | -1 503 975 | -245 643 |
| Prior period adjustment | -5 363 | -329 |
| Reclassification to deferred tax asset | -13 392 | - |
| Tax receivable at 31 December | 410 205 | 843 004 |

The tax value of exploration expenditures is paid in November the following year. The refund of tax losses, as enacted in June 2020, in 2020 is paid out in six instalments every two months. The first three instalments were received in the second half of 2020 and the remaining three instalments will be received in the first half of 2021.

Note 12 Trade receivables and other current assets

| NOK 000 | 2020 | 2019 |
|---|----------------|------------------|
| Trade receivables | 4 151 | 3 906 |
| Other current receivables | 25 102 | 5 890 |
| Intercompany receivables | 15 664 | 7 030 |
| Stock in joint ventures | 149 209 | 120 204 |
| Working capital receivables in joint ventures | 254 018 | 329 602 |
| Prepayments & Accrued Income | 250 707 | 494 572 |
| VAT receivables | 3 577 | 6 945 |
| Underlift | 182 452 | 283 389 |
| Lease receivable | 800 | - |
| Trade receivables and other current assets | 885 681 | 1 251 539 |

Note 13 Cash and cash equivalents

| NOK 000 | 2020 | 2019 |
|----------------------------------|----------------|----------------|
| Bank deposits, restricted | 97 332 | 10 1623 |
| Bank deposits, unrestricted | 782 850 | 362 821 |
| Cash and cash equivalents | 880 182 | 464 445 |

Restricted cash relates to tax withheld for employees and deposited cash for future decommissioning.



Note 14 Share capital

| NOK 000 | Number of common shares | Share capital |
|--|----------------------------|------------------|
| Total as of 1 January 2019 | 34 730 493 | 34 730 |
| Shares issued in 2019 | 41 439 607 | 41 440 |
| Total as of 31 December 2019 | 76 170 100 | 76 170 |
| Share issued 6 November 2019, registered in 2020 | 180 000 | 180 |
| Share issued in 2020 | - | 76 350 |
| Total as of 31 December 2020 | 76 350 100 | 152 700 |

On 6 November 2019, an extraordinary general meeting resolved to issue 33 680 920 shares by way of a debt to equity conversion. Share premium was NOK 304.7 million.

On 3 April 2020 an extraordinary general meeting resolved to increase the share capital with NOK 76.4 million through increase the nominal value of existing shares by NOK 1 per share. The share capital increase was done through debt to equity conversion.

The nominal value of each share is NOK 2. All shares have equal voting rights. All shares are owned by DNO North Sea plc.

Note 15 Borrowings

| NOK 000 | Facility currency | Facility amount | Interest rate (percent) | Maturity | Fair value | | Carrying amount | |
|---|----------------------|--------------------|----------------------------|-----------|----------------|----------------|-----------------|----------------|
| | | | | | 2020 | 2019 | 2020 | 2019 |
| Non-current | | | | | | | | |
| Reserve based lending facility | USD | 350,0 | see below | 07.11.26 | 810 597 | 56 499 | 810 597 | 56 499 |
| Total non-current interest-bearing liabilities | | | | | 810 597 | 56 499 | 810 597 | 56 499 |
| Current | | | | | | | | |
| Exploration financing facility | NOK | 250,0 | see below | see below | - | 740 000 | - | 740 000 |
| Total current interest-bearing liabilities | | | | | - | 740 000 | - | 740 000 |
| Total interest-bearing liabilities to credit institution | | | | | 810 597 | 796 499 | 810 597 | 796 499 |

The Company has available a revolving exploration financing facility (EFF) with a total amount of NOK 250 million. An additional tranche of NOK 750 million is available on an uncommitted accordion basis. Utilization requests need to be delivered for each proposed loan. The facility is secured against the Norwegian tax refund and is repaid when the refund is received which is approximately 11 months after the end of the financial year. The interest rate equals NIBOR plus a margin of 1.70 percent. Utilizations can be made until 31 December 2022. Due to temporary changes to the taxation of oil and gas companies in Norway, the Company has chosen to not utilize the EFF in relation to exploration spend in 2020 and 2021, and instead utilize the new scheme with refund of tax losses every two months. Draw downs on the EFF in relation to spend in 2019 and 2020 were repaid during 2020.

The DNO North Sea plc group, where the Company is subsidiary has a reserve-based lending (RBL) facility in relation to its Norway and UK licenses with a total facility amount of USD 350 million which is available for both debt and issuance of letters of credit. An additional tranche of USD 350 million is available on an uncommitted accordion basis. Interest charged on utilizations is based on the LIBOR, NIBOR or EURIBOR rates (depending on the currency of the drawdown) plus a margin ranging from 2.75 to 3.25 percent. The facility will amortize over the loan life with a final maturity date of 7 November 2026. The security under the RBL includes, without limitation, a pledge over the shares in DNO North Sea plc and its subsidiaries, assignment of claims under shareholder loans, intra-group loans and insurances, a pledge of certain bank accounts and mortgages over the license interests. There are also restrictions on loans and dividend payments to DNO ASA. The amount utilized as of the reporting date is disclosed in the table above. In addition, USD 13.4 million (2019: USD 16.6 million) is utilized in respect of letters of credit



Note 16 Trade payables and other current liabilities

| NOK 000 | 2020 | 2019 |
|---|------------------|------------------|
| Trade payables | 21 178 | 36 740 |
| Intercompany payables | 528 492 | 3 965 725 |
| Working capital liabilities in joint ventures | 292 073 | 439 078 |
| Salary accruals | 14 341 | 37 585 |
| Other accrued expenses | 268 758 | 308 552 |
| Public duties payable | 14 942 | 20 436 |
| Other current liabilities | - | 1 355 |
| Deferred income and overlift | 105 504 | 479 507 |
| Trade payables and other current liabilities | 1 245 289 | 5 288 977 |

Note 17 Provisions

| NOK 000 | 2020 | 2019 |
|--|------------------|------------------|
| Non current | | |
| Asset retirement obligation | 2 436 443 | 2 365 954 |
| Total non-current provisions | 2 436 443 | 2 365 954 |
| Lease liability | 64 802 | 43 328 |
| Total non-current lease liability | 64 802 | 43 328 |
| Current | | |
| Asset retirement obligation | 346 265 | 4 034 |
| Other provisions | 1 812 | 20 741 |
| Total current provisions | 348 077 | 24 775 |
| Lease liability | 14 891 | 8 944 |
| Total current lease liability | 14 891 | 8 944 |

The total ARO of 2.8 billion NOK ('BNOK') (2019: BNOK 2.4) relates primarily to the Company's production and development facilities. The ARO is recorded as the Company's share of the decommissioning cost expected to be incurred. These costs are expected to be incurred at various intervals over the next 18 years. The economic life and the timing of the decommissioning liabilities are dependent on Government legislation, commodity prices and the future production profiles of the production and development facilities. In addition, the costs of decommissioning are subject to inflation in the service costs of third parties. The assumptions applied per year end 2020 are 2 percent (2019: 2 percent) inflation and a discount rate in the range of 3.2-3.7 percent (2019: 3.5-4 percent) based on time until cessation of production.

The increase in ARO provisions in 2020 compared to 2019 is primarily due to upward revisions to abandonment estimates and accretion, partially offset by decommissioning expenditure on Oselvar.

Lease liabilities

The increase in lease liabilities relates to additional office floors in Badehusgaten 37. The increase was partially offset by the sublease of one floor commencing in December 2020.

Other provisions relate to share based payments as described in note 6.



Note 18 Related parties

| NOK 000 | 2020 | 2019 |
|--|-------------------|-------------------|
| Non current | | |
| Loans from group companies | -2 198 352 | -2 328 705 |
| Net long term balance with related parties | -2 198 352 | -2 328 705 |
| Current | | |
| Intercompany receivables | 15 664 | 7 030 |
| Intercompany payables | -528 492 | -3 965 725 |
| Net short term balance with related parties | -512 828 | -3 958 695 |
| Transactions with group companies | | |
| Purchase of business services | -33 834 | -29 930 |
| Sale of business services | 13 212 | 4 678 |
| Interest expense | -180 672 | -5 831 |
| Net transactions with related parties | -201 294 | -31 083 |

The Company's long term loans, are from parent Company DNO North Sea plc. The loan balance includes a NOK 667 million bond with 8 percent interest. In December 2020, the Company signed an amendment to the bond loan agreement triggering a call premium of 3.2 percent. Interest rate under the amended loan agreement was the rate applicable at all times under the Reserve-Based Lending facility plus a margin of 1.5 percent. Interest on remaining loan balance is LIBOR and a margin of 3-3.25 percent.

The Intercompany payables per 31 December 2019 included the NOK 3 547 million consideration paid for net assets in business transfer with DNO North Sea (Norge) AS. The payable, in addition to NOK 5.8 million in accrued interest was on 3 April 2020 re-assigned to parent DNO North Sea plc and converted to equity. Interest on the payable was 5 percent and a expense of NOK 45.2 million was recognized in 2020 (2019: NOK 5.8 million).

Purchase of business services from related parties mainly relate to recharged third-party cost and work related to centralised services performed by DNO ASA. The sale of business services mainly relates to technical work performed by company staff on behalf of other entities in the group. The recharge is without a mark-up and calculated at cost.

Note 19 Financial instruments

Financial risk management, objectives and policies

Overview

The Company's principal financial liabilities are comprised of interest-bearing liabilities and trade and other payables. The main purpose of these financial liabilities is to finance the Company's operations. The Company's principal financial assets include trade and other receivables, tax receivables and cash and cash equivalents.

The Company is exposed to a range of risks affecting its financial performance including market risk, liquidity risk and credit risk. The Company seeks to minimize potential adverse effects of such risks through sound business practices and risk management program.

Market risk

The Company is after the business transfer with DNO North Sea (Norge) AS in December 2019 more exposed to market risks driven by fluctuations in oil and gas prices, foreign currency exchange rates and interest rates.



Oil and gas price risk

The Company's revenues are going forward for the most part generated from the sale of oil. The Company had no oil and gas price hedging arrangements at yearend.

Foreign currency exchange rate risk

The Company has potential currency exposures in respect of items denominated in foreign currencies relating to transactional exposure in respect of operating costs and capital expenditure incurred in currencies other than the functional currency of operations. The Company had no currency hedging arrangements at yearend 2020.

Interest rate risk

Interest rate exposure on intercompany loan, revolving exploration financing facility (EFF) and the reserve-based lending facility (RBL) is considered limited and no hedging arrangement was in place during 2020. The Company is also exposed to interest rate risk on its cash deposits held at floating interest rates.

Liquidity risk

Liquidity risk is the risk that suitable sources of funding for the Company's business activities may not be available. Prudent liquidity risk management implies maintaining sufficient cash balances, credit facilities and other financial resources to maintain financial flexibility under dynamic market conditions. The Company's principal sources of liquidity are operating cash flows from its producing assets. In addition to its operating cash flows, the Company relies on the facilities in place. At yearend 2020, the Company had outstanding unsecured debt in the form of intercompany loans of NOK 2 198 million and had available EFF in an aggregate amount of NOK 250 million with an accordion option of NOK 750 million. In addition, the DNO North Sea plc group had available RBL in relation to its Norway and UK licenses with a total facility amount of USD 350 million. The Company's finance function prepares projections on a regular basis in order to plan the Company's liquidity requirements. These plans are updated regularly for various scenarios and form part of the basis for decision making for the Company's Board of Directors and executive management.

Credit risk

Credit risk is the risk that a customer or counterparty to a financial instrument will fail to perform or fail to pay amounts due causing financial loss to the Company. The Company's exposure to credit risk is considered low and is mainly related to its outstanding trade debtors. Other counterparty credit risk exposure to the Company is related to its cash deposits with banks and financial institutions.

Capital Management

As a major part of the Company's focus has been on exploration, equity has been the principal form of funding. However, the Company's policy has been to utilize debt where possible. The EFF banking facility has been arranged in Norway to bridge the tax rebate receivable and the RBL banking facility is in place to finance operations and further growth in the business. Due to the temporary changes in the petroleum tax act, implemented in 2020, the Company has chosen not to utilize the EFF for 2020 and 2021. Management continuously monitors the equity ratio of the Company and takes appropriate steps to ensure the Company is appropriately funded.



Note 20 Business Transfer

In December 2019, as a result of regulatory requirements to merge the NCS activities of the two DNO ASA subsidiaries, DNO Norge AS and DNO North Sea (Norge) AS (DNSN), the shareholding in the Company was acquired by DNO North Sea plc, a subsidiary of DNO ASA. At the same time, the Company entered into a business purchase agreement (the Agreement) with DNSN to acquire all of DNSN's assets, except for tax carry forward losses and incurred unused uplift, and liabilities, for a consideration of a post-tax amount of NOK 3 547 million. The transactions had effective dates 1 January 2019 and were completed on 19 December 2019. The Company funded the acquisition through capital injection from parent DNO North Sea plc on 3 April 2020. The capital injection was done through debt to equity conversion.

All assets and liabilities were transferred at its booked value per 31 December 2019, under the pooling of interest accounting principle. Where receivables and payables between the parties are eliminated. The table below shows the balances transferred in the transaction, with calculated continuity difference, which is booked as an adjustment to retained earnings.

| NOK 000 | 2019 |
|--|-------------------|
| ASSETS | |
| Non-current assets | |
| Goodwill | 891 396 |
| E&A and other Intangible assets | 807 449 |
| Property, plant and equipment | 3 994 957 |
| Total non-current assets | 5 693 802 |
| Current assets | |
| Trade receivables and other current assets | 1 264 795 |
| Tax receivables | 292 584 |
| Cash and cash equivalents | 280 180 |
| Total current assets | 1 837 559 |
| TOTAL ASSETS | 7 531 361 |
| LIABILITIES | |
| Non-current liabilities | |
| Deferred tax liabilities | 171 245 |
| Interest-bearing liabilities to group companies | 2 328 705 |
| Interest-bearing liabilities to credit institution | 56 499 |
| Lease liabilities | 29 776 |
| Provisions for other liabilities and charges | 2 365 954 |
| Total non-current liabilities | 4 952 179 |
| Current liabilities | |
| Trade payables and other current liabilities | 1 611 945 |
| Current interest-bearing liabilities to credit institution | 307 519 |
| Current lease liabilities | 5 833 |
| Provisions for other liabilities and charges | 4 034 |
| Total current liabilities | 1 929 332 |
| Total liabilities | 6 881 511 |
| Net assets acquired | 649 850 |
| Consideration paid | 3 547 389 |
| Continuity difference | -2 897 539 |



Goodwill transferred relates to technical goodwill, which mainly relates to Alve, Marulk, Ringhome East and Vilje fields.

E&A balance consists of net booked values mainly related to DNO operated PL740 Brasse (NOK 269 million, PL644 Iris/Hades (NOK 326.2 million), and PL836 Bergknapp (NOK 117 million). The JV in PL836 completed well operations in primo April 2020. The well was determined as a discovery, with further evaluation required to determine commerciality.

PP&E balance mainly consist of Development and Producing assets. Majority of balance relates to Tambar NOK 736 million, ODA NOK 726.5 million and Ula NOK 548.5 million. The only development asset per year end was Fenja, with net book value of NOK 351.3 million. The Fenja development drilling campaign commenced in April 2020, with first oil expected in 4Q 2021.

Asset retirement obligation balance per year end mainly relates to fields Tambar (NOK 528.6 million) and Ula NOK 865.4 million.

Reserves and Resources

The Company acquired the rights to all proven, probable and possible reserves per year end 2019. Proven (1P) reserves were 47.5 MMboe, proven and probable (2P) reserves 68.3 MMboe, and proven, probable and possible (3P) reserves 99.5 MMboe.

Total production in 2019 from acquired assets was 6.0 MMboe, which equals 16 478 boepd.

Profoma results 2019

The table below shows statement of comprehensive income for DNO Norge AS, if the transaction was carried through as of 1 January 2019.

| NOK 000 | |
|---|-----------------|
| | 2019 |
| Revenues | 2 072 501 |
| Cost of sales | -321 153 |
| Depreciation,depletion and amortisation | -439 862 |
| Gross profit | 651 480 |
| Other income | 4 771 |
| Asset impairment | -90 632 |
| Net gain on disposal of property, plant and equipment | 761 060 |
| Payroll expenses | -63 575 |
| General and administrative expenses | -65 471 |
| Depreciation office cost and ROU assets | -16 373 |
| Exploration expenses | -1 177 239 |
| Profit from operating activities | 4 021 |
| Financial income | 22 085 |
| Financial expenses | -353 035 |
| Loss before income tax | -326 929 |
| Tax income | 802 445 |
| Net profit | 475 516 |
| Other comprehensive income, net of tax | - |
| Total comprehensive income, net of tax | 475 516 |



Note 21 Oil & Gas licence portfolio

At 31 December 2020 the Company held 76 licenses on the Norwegian continental shelf.

As of 31 December 2020:

| Region/license | Participating interest (percent) | Operator | Partner(s) |
|----------------|----------------------------------|--------------------------|---|
| Norway | | | |
| PL006 C | 85.0 | DNO Norge AS | Aker BP ASA |
| PL006 E | 85.0 | DNO Norge AS | Aker BP ASA |
| PL006 F | 85.0 | DNO Norge AS | Aker BP ASA |
| PL018 ES | 100.0 | DNO Norge AS | |
| PL019 | 20.0 | Aker BP ASA | DNO Norge AS |
| PL019 E | 20.0 | Aker BP ASA | DNO Norge AS |
| PL019 F | 45.0 | Aker BP ASA | DNO Norge AS |
| PL036 D | 28.9 | Aker BP ASA | DNO Norge AS, PGNIG Upstream Norway AS |
| PL048 D | 9.3 | Equinor Energy AS | DNO Norge AS, Petrolia NOCO AS, Aker BP ASA |
| PL053 B | 14.3 | Wintershall Dea Norge AS | DNO Norge AS, Repsol Norge AS, Vår Energi AS, Neptune Energy Norge AS |
| PL055 | 14.3 | Wintershall Dea Norge AS | DNO Norge AS, Repsol Norge AS, Vår Energi AS, Neptune Energy Norge AS |
| PL055 B | 14.3 | Wintershall Dea Norge AS | DNO Norge AS, Repsol Norge AS, Vår Energi AS, Neptune Energy Norge AS |
| PL055 D | 14.3 | Wintershall Dea Norge AS | DNO Norge AS, Repsol Norge AS, Vår Energi AS, Neptune Energy Norge AS |
| PL055 E | 14.3 | Wintershall Dea Norge AS | DNO Norge AS, Repsol Norge AS, Vår Energi AS, Neptune Energy Norge AS |
| PL065 | 45.0 | Aker BP ASA | DNO Norge AS |
| PL065 B | 45.0 | Aker BP ASA | DNO Norge AS |
| PL1006 | 30.0 | Equinor Energy AS | DNO Norge AS |
| PL1007 | 40.0 | DNO Norge AS | OMV (Norge) AS, Spirit Energy Norway AS, Equinor Energy AS |
| PL1021 | 50.0 | Wintershall Dea Norge AS | DNO Norge AS |
| PL1022 | 30.0 | Aker BP ASA | DNO Norge AS, Concedo ASA |
| PL1027 | 20.0 | Lundin Norway AS | DNO Norge AS, Wintershall Dea Norge AS, INPEX Norge AS |
| PL1029 | 40.0 | Lundin Norway AS | DNO Norge AS, Spirit Energy Norway AS |
| PL1036 | 60.0 | DNO Norge AS | Source Energy AS |
| PL1048 | 50.0 | Lundin Energy Norway AS | DNO Norge AS |
| PL1056 | 20.0 | A/S Norske Shell | DNO Norge AS, Petoro AS, Wintershall Dea Norge AS, Aker BP ASA |
| PL1070 | 30.0 | Total E&P Norge AS | DNO Norge AS, Vår Energi AS |
| PL1076 | 50.0 | Equinor Energy AS | DNO Norge AS |
| PL1077 | 40.0 | Equinor Energy AS | DNO Norge AS |
| PL1083 | 30.0 | Lundin Energy Norway AS | DNO Norge AS, Petoro AS |
| PL122 | 17.0 | Vår Energi AS | DNO Norge AS, INEOS E&P Norge AS, Equinor Energy AS |
| PL122 B | 17.0 | Vår Energi AS | DNO Norge AS, INEOS E&P Norge AS, Equinor Energy AS |
| PL122 C | 17.0 | Vår Energi AS | DNO Norge AS, INEOS E&P Norge AS, Equinor Energy AS |
| PL122 D | 17.0 | Vår Energi AS | DNO Norge AS, INEOS E&P Norge AS, Equinor Energy AS |



| | | | |
|----------|------|--------------------------|---|
| PL147 | 50.0 | DNO Norge AS | Spirit Energy Norway AS |
| PL159 B | 32.0 | Equinor Energy AS | DNO Norge AS, INEOS E&P Norge AS |
| PL159 G | 32.0 | Equinor Energy AS | DNO Norge AS, INEOS E&P Norge AS |
| PL169 E | 87.0 | DNO Norge AS | Vår Energi AS |
| PL185 | 14.3 | Wintershall Dea Norge AS | DNO Norge AS, Repsol Norge AS, Vår Energi AS, Neptune Energy Norge AS |
| PL246 F | 20.0 | Wintershall Dea Norge AS | DNO Norge AS, Petoro AS |
| PL246 GS | 20.0 | Wintershall Dea Norge AS | DNO Norge AS, Petoro AS |
| PL246 HS | 20.0 | Wintershall Dea Norge AS | DNO Norge AS, Petoro AS |
| PL274 | 55.0 | DNO Norge AS | CapeOmega AS |
| PL274 CS | 55.0 | DNO Norge AS | CapeOmega AS |
| PL293 B | 29.0 | Equinor Energy AS | DNO Norge AS, Idemitsu Petroleum Norge AS |
| PL300 | 45.0 | Aker BP ASA | DNO Norge AS |
| PL405 | 15.0 | Spirit Energy Norway AS | DNO Norge AS, Aker BP ASA, Suncor Energy Norge AS |
| PL433 | 15.0 | Spirit Energy Norway AS | DNO Norge AS, ONE-Dyas Norge AS, PGNIG Upstream Norway AS |
| PL586 | 7.5 | Neptune Energy Norge AS | DNO Norge AS, Vår Energi AS, Suncor Energy Norge AS |
| PL644 | 20.0 | OMV (Norge) AS | DNO Norge AS, Equinor Energy AS, Spirit Energy Norway AS |
| PL644 B | 20.0 | OMV (Norge) AS | DNO Norge AS, Equinor Energy AS, Spirit Energy Norway AS |
| PL644 C | 20.0 | OMV (Norge) AS | DNO Norge AS, Equinor Energy AS, Spirit Energy Norway AS |
| PL740 | 50.0 | DNO Norge AS | Vår Energi AS |
| PL740 B | 50.0 | DNO Norge AS | Vår Energi AS |
| PL740 C | 50.0 | DNO Norge AS | Vår Energi AS |
| PL827 S | 49.0 | Equinor Energy AS | DNO Norge AS |
| PL836 S | 30.0 | Wintershall Dea Norge AS | DNO Norge AS, Spirit Energy Norway AS |
| PL888 | 40.0 | DNO Norge AS | Wellesley Petroleum AS, ConocoPhillips Skandinavia AS |
| PL902 | 10.0 | Lundin Norway AS | DNO Norge AS, Petoro AS, Aker BP ASA |
| PL902 B | 10.0 | Lundin Norway AS | DNO Norge AS, Petoro AS, Aker BP ASA |
| PL906 | 20.0 | Aker BP ASA | DNO Norge AS, Equinor Energy AS |
| PL923 | 20.0 | Equinor Energy AS | DNO Norge AS, Wellesley Petroleum AS, Petoro AS |
| PL924 | 15.0 | Wellesley Petroleum AS | DNO Norge AS, Equinor Energy AS, Lundin Energy Norway AS |
| PL926 | 60.0 | DNO Norge AS | Concedo ASA, Lundin Norway AS |
| PL929 | 10.0 | Neptune Energy Norge AS | DNO Norge AS, Pandion Energy AS, Wintershall Dea Norge AS, Lundin Norway AS |
| PL931 | 40.0 | Wellesley Petroleum AS | DNO Norge AS |
| PL943 | 30.0 | Equinor Energy AS | DNO Norge AS, Sval Energi AS |
| PL967 | 60.0 | DNO Norge AS | Equinor Energy AS |
| PL968 | 40.0 | DNO Norge AS | Petoro AS, MOL Norge AS, Aker BP ASA |
| PL969 | 45.0 | A/S Norske Shell | DNO Norge AS, Spirit Energy Norway AS |
| PL975 | 60.0 | DNO Norge AS | Source Energy AS |
| PL983 | 20.0 | Equinor Energy AS | DNO Norge AS, Total E&P Norge AS, Petoro AS |
| PL984 | 40.0 | DNO Norge AS | Vår Energi AS, Source Energy AS |



| | | | |
|----------|------|-------------------------|---|
| PL984 BS | 40.0 | DNO Norge AS | Vår Energi AS, Source Energy AS |
| PL986 | 20.0 | Aker BP ASA | DNO Norge AS, Petoro AS |
| PL987 | 20.0 | Suncor Energy Norge AS | DNO Norge AS, Lundin Norway AS, Vår Energi AS |
| PL987 B | 20.0 | Suncor Energy Norge AS | DNO Norge AS, Lundin Norway AS, Vår Energi AS |
| PL988 | 30.0 | Lundin Norway AS | DNO Norge AS, Vår Energi AS |
| PL991 | 60.0 | DNO Norge AS | Lundin Norway AS |
| PL994 | 30.0 | Neptune Energy Norge AS | DNO Norge AS, Petrolia NOCO AS |

At 31 December 2019 the Company held 87 licenses on the Norwegian continental shelf.

As of 31 December 2019:

| license | Participating interest (percent) | Operator | Partner(s) |
|----------|----------------------------------|--------------------------|---|
| PL006 C | 85.0 | DNO Norge AS | Aker BP ASA |
| PL006 E | 85.0 | DNO Norge AS | Aker BP ASA |
| PL006 F | 85.0 | DNO Norge AS | Aker BP ASA |
| PL018 ES | 11.7 | Total E&P Norge AS | DNO Norge AS |
| PL019 | 20.0 | Aker BP ASA | DNO Norge AS |
| PL019 E | 20.0 | Aker BP ASA | DNO Norge AS |
| PL019 H | 20.0 | Aker BP ASA | DNO Norge AS |
| PL036 D | 28.9 | Aker BP ASA | DNO Norge AS, PGNIG Upstream Norway AS |
| PL048 D | 9.3 | Equinor Energy AS | DNO Norge AS, Aker BP ASA, CapeOmega AS |
| PL053 B | 14.3 | Wintershall Dea Norge AS | DNO Norge AS, Repsol Norge AS, Vår Energi AS, Neptune Energy Norge AS |
| PL055 | 14.3 | Wintershall Dea Norge AS | DNO Norge AS, Repsol Norge AS, Vår Energi AS, Neptune Energy Norge AS |
| PL055 B | 14.3 | Wintershall Dea Norge AS | DNO Norge AS, Repsol Norge AS, Vår Energi AS, Neptune Energy Norge AS |
| PL055 D | 14.3 | Wintershall Dea Norge AS | DNO Norge AS, Repsol Norge AS, Vår Energi AS, Neptune Energy Norge AS |
| PL065 | 45.0 | Aker BP ASA | DNO Norge AS |
| PL065 B | 45.0 | Aker BP ASA | DNO Norge AS |
| PL1006 | 30.0 | Equinor Energy AS | DNO Norge AS |
| PL1007 | 40.0 | DNO Norge AS | OMV (Norge) AS, Spirit Energy Norway AS, Equinor Energy AS |
| PL1015 | 30.0 | INEOS E&P Norge AS | DNO Norge AS |
| PL1021 | 50.0 | Wintershall Dea Norge AS | DNO Norge AS |
| PL1022 | 30.0 | Aker BP ASA | DNO Norge AS, Concedo ASA |
| PL1024 | 30.0 | Repsol Norge AS | DNO Norge AS |
| PL1027 | 20.0 | Lundin Norway AS | DNO Norge AS, Wintershall Dea Norge AS, INPEX Norge AS |
| PL1029 | 40.0 | Lundin Norway AS | DNO Norge AS, Spirit Energy Norway AS |
| PL122 | 17.0 | Vår Energi AS | DNO Norge AS, INEOS E&P Norge AS, Equinor Energy AS |
| PL122 B | 17.0 | Vår Energi AS | DNO Norge AS, INEOS E&P Norge AS, Equinor Energy AS |
| PL122 C | 17.0 | Vår Energi AS | DNO Norge AS, INEOS E&P Norge AS, Equinor Energy AS |
| PL122 D | 17.0 | Vår Energi AS | DNO Norge AS, INEOS E&P Norge AS, Equinor Energy AS |



| | | | |
|----------|------|-------------------------------|--|
| PL147 | 50.0 | DNO Norge AS | Spirit Energy Norway AS |
| PL159 B | 32.0 | Equinor Energy AS | DNO Norge AS, INEOS E&P Norge AS |
| PL159 G | 32.0 | Equinor Energy AS | DNO Norge AS, INEOS E&P Norge AS |
| PL169 E | 87.0 | DNO Norge AS | Vår Energi AS |
| PL185 | 14.3 | Wintershall Dea Norge AS | DNO Norge AS, Repsol Norge AS, Vår Energi AS, Neptune Energy Norge AS |
| PL246 F | 20.0 | Wintershall Dea Norge AS | DNO Norge AS, Petoro AS |
| PL246 GS | 20.0 | Wintershall Dea Norge AS | DNO Norge AS, Petoro AS |
| PL246 HS | 20.0 | Wintershall Dea Norge AS | DNO Norge AS, Petoro AS |
| PL274 | 55.0 | DNO Norge AS | CapeOmega AS |
| PL274 CS | 55.0 | DNO Norge AS | CapeOmega AS |
| PL293 B | 20.0 | Equinor Energy AS | DNO Norge AS, Idemitsu Petroleum Norge AS |
| PL300 | 45.0 | Aker BP ASA | DNO Norge AS |
| PL405 | 15.0 | Spirit Energy Norway AS | DNO Norge AS, Aker BP ASA, Suncor Energy Norge AS |
| PL433 | 15.0 | Spirit Energy Norway AS | DNO Norge AS, ONE-Dyas Norge AS, PGNIG Upstream Norway AS |
| PL586 | 7.5 | Neptune Energy Norge AS | DNO Norge AS, Vår Energi AS, Suncor Energy Norge AS |
| PL644 | 20.0 | OMV (Norge) AS | DNO Norge AS, Equinor Energy AS, Spirit Energy Norway AS |
| PL644 B | 20.0 | OMV (Norge) AS | DNO Norge AS, Equinor Energy AS, Spirit Energy Norway AS |
| PL644 C | 20.0 | OMV (Norge) AS | DNO Norge AS, Equinor Energy AS, Spirit Energy Norway AS |
| PL740 | 50.0 | DNO Norge AS | Vår Energi AS |
| PL740 B | 50.0 | DNO Norge AS | Vår Energi AS |
| PL740 C | 50.0 | DNO Norge AS | Vår Energi AS |
| PL749 | 20.0 | Spirit Energy Norway AS | DNO Norge AS, Petoro AS, Neptune Energy Norge AS |
| PL767 | 10.0 | Lundin Norway AS | DNO Norge AS, INPEX Norge AS |
| PL767 B | 10.0 | Lundin Norway AS | DNO Norge AS, INPEX Norge AS |
| PL811 | 20.0 | Spirit Energy Norway AS | DNO Norge AS, A/S Norske Shell, Aker BP ASA |
| PL825 | 50.0 | DNO Norge AS | Equinor Energy AS, Spirit Energy Norway AS |
| PL827 S | 30.0 | Equinor Energy AS | DNO Norge AS |
| PL836 S | 30.0 | Wintershall Dea Norge AS | DNO Norge AS, Spirit Energy Norway AS |
| PL845 | 20.0 | ConocoPhillips Skandinavia AS | DNO Norge AS, INEOS E&P Norge AS, Wintershall Dea Norge AS |
| PL859 | 20.0 | Equinor Energy AS | DNO Norge AS, Petoro AS, ConocoPhillips Skandinavia AS, Lundin Norway AS |
| PL870 | 20.0 | Equinor Energy AS | DNO Norge AS |
| PL881 | 30.0 | Wellesley Petroleum AS | DNO Norge AS |
| PL888 | 40.0 | DNO Norge AS | Wellesley Petroleum AS, ConocoPhillips Skandinavia AS |
| PL902 | 10.0 | Lundin Norway AS | DNO Norge AS, Petoro AS, Aker BP ASA |
| PL902 B | 10.0 | Lundin Norway AS | DNO Norge AS, Petoro AS, Aker BP ASA |
| PL906 | 20.0 | Aker BP ASA | DNO Norge AS, Equinor Energy AS |
| PL921 | 15.0 | Equinor Energy AS | DNO Norge AS, Petoro AS, Lundin Norway AS |
| PL922 | 20.0 | Spirit Energy Norway AS | DNO Norge AS, Neptune Energy Norge AS, Total E&P Norge AS |
| PL923 | 20.0 | Equinor Energy AS | DNO Norge AS, Wellesley Petroleum AS, Petoro AS |



| | | | |
|-------|------|--------------------------|---|
| PL924 | 15.0 | Equinor Energy AS | DNO Norge AS, Lundin Norway AS |
| PL926 | 60.0 | DNO Norge AS | Concedo ASA, Lundin Norway AS |
| PL929 | 10.0 | Neptune Energy Norge AS | DNO Norge AS, Pandion Energy AS, Wintershall Dea Norge AS, Lundin Norway AS |
| PL931 | 40.0 | Wellesley Petroleum AS | DNO Norge AS |
| PL943 | 30.0 | Equinor Energy AS | DNO Norge AS, Capricorn Norge AS |
| PL950 | 10.0 | Lundin Norway AS | DNO Norge AS, INPEX Norge AS, Petoro AS |
| PL951 | 20.0 | Aker BP ASA | DNO Norge AS, Vår Energi AS, Concedo ASA |
| PL953 | 30.0 | Wintershall Dea Norge AS | DNO Norge AS, Concedo ASA |
| PL967 | 60.0 | DNO Norge AS | Equinor Energy AS |
| PL968 | 40.0 | DNO Norge AS | Petoro AS, MOL Norge AS, Aker BP ASA |
| PL969 | 45.0 | A/S Norske Shell | DNO Norge AS, Spirit Energy Norway AS |
| PL975 | 60.0 | DNO Norge AS | Source Energy AS |
| PL983 | 20.0 | Equinor Energy AS | DNO Norge AS, Total E&P Norge AS, Petoro AS |
| PL984 | 40.0 | DNO Norge AS | Source Energy AS, Vår Energi AS |
| PL986 | 20.0 | Aker BP ASA | DNO Norge AS, Petoro AS, Wellesley Petroleum AS |
| PL987 | 20.0 | Suncor Energy Norge AS | DNO Norge AS, Lundin Norway AS, Vår Energi AS |
| PL988 | 30.0 | Lundin Norway AS | DNO Norge AS, Vår Energi AS |
| PL990 | 30.0 | Equinor Energy AS | DNO Norge AS, Wellesley Petroleum AS |
| PL991 | 60.0 | DNO Norge AS | Lundin Norway AS |
| PL994 | 30.0 | Neptune Energy Norge AS | DNO Norge AS, Petrolia NOCO AS |
| PL995 | 60.0 | DNO Norge AS | INEOS E&P Norge AS |

Capital commitments

Based on work plans as of yearend 2020 and contingent on future market conditions including development in the oil price, the Company's projected capital commitments and abandonment expenditures at yearend 2020 amounted to NOK 2 250 million. The projected capital commitments and abandonment expenditures reflect the Company's share of planned drilling and facility investments and decommissioning plan in its licenses in 2021. Execution of these work plans is subject to revisions.

Note 22 Company Working Interest and Net Entitlement reserves(unaudited)

CWI reserves by field as of 31 December 2020

| MMboe | Proven (1P) | | | | Proven and probable (2P) | | | | Proven, probable and possible (3P) | | | |
|------------------------|-------------|------------|-------------|-------------|--------------------------|------------|-------------|-------------|------------------------------------|------------|-------------|-------------|
| | Oil | NGL | Gas | Total | Oil | NGL | Gas | Total | Oil | NGL | Gas | Total |
| Alve | 0.8 | 1.3 | 4.5 | 6.6 | 1.2 | 1.8 | 6.4 | 9.4 | 1.7 | 2.6 | 9.5 | 13.8 |
| Brage | 1.4 | 0.1 | 0.2 | 1.7 | 2.2 | 0.2 | 0.4 | 2.8 | 3.2 | 0.3 | 0.4 | 3.9 |
| Brasse | 7.9 | 1.5 | 2.4 | 11.8 | 11.2 | 2.1 | 3.4 | 16.7 | 14.4 | 2.7 | 4.4 | 21.6 |
| Fenja | 2.1 | 0.2 | 0.9 | 3.2 | 3.8 | 0.3 | 1.2 | 5.2 | 4.7 | 0.3 | 1.5 | 6.5 |
| Manuk | 0.0 | 0.1 | 0.6 | 0.8 | 0.1 | 0.2 | 1.1 | 1.4 | 0.1 | 0.2 | 1.3 | 1.6 |
| Ringhorne East | 1.0 | - | - | 1.0 | 1.3 | - | - | 1.3 | 1.6 | - | - | 1.6 |
| Oda (Ula area) | 2.2 | 0.0 | 0.2 | 2.4 | 3.0 | 0.0 | 0.2 | 3.2 | 4.6 | 0.0 | 0.3 | 5.0 |
| Tambar (Ula area) | 3.9 | 0.1 | 0.6 | 4.6 | 6.6 | 0.2 | 1.1 | 7.9 | 10.9 | 0.4 | 1.9 | 13.2 |
| Tambar East (Ula area) | - | - | - | - | 0.2 | 0.0 | 0.0 | 0.2 | 0.2 | 0.0 | 0.0 | 0.3 |
| Ula (Ula area) | 3.8 | 0.1 | - | 4.0 | 7.4 | 0.2 | - | 7.6 | 12.3 | 0.4 | - | 12.6 |
| Trym | 0.3 | - | 1.4 | 1.7 | 0.5 | - | 2.9 | 3.4 | 1.3 | - | 7.6 | 8.9 |
| Vilje | 2.3 | - | - | 2.3 | 4.0 | - | - | 4.0 | 5.1 | - | - | 5.1 |
| Total | 25.8 | 3.4 | 10.8 | 40.0 | 41.4 | 5.0 | 16.7 | 63.1 | 60.2 | 6.9 | 26.9 | 93.9 |



Development of CWI reserves

| MMboe | 1P | 2P | 3P |
|--------------------------------|-------------|-------------|--------------|
| As of 1 January 2019 | 61.6 | 86.1 | 119.3 |
| Production | -6.0 | -6.0 | -6.0 |
| Acquisitions | 8.8 | 17.3 | 25.7 |
| Divestments | -13.4 | -18.4 | -23.2 |
| Extensions and discoveries | - | - | - |
| New developments | - | - | - |
| Revision of previous estimates | -3.6 | -10.7 | -16.5 |
| As of 31 December 2019 | 47.4 | 68.3 | 99.5 |
| Production | -6.0 | -6.0 | -6.0 |
| Acquisitions | - | - | - |
| Divestments | - | - | - |
| Extensions and discoveries | - | - | - |
| New developments | - | - | - |
| Revision of previous estimates | -1.4 | 0.8 | 0.5 |
| As of 31 December 2020 | 40.0 | 63.1 | 94.0 |

The reserves are according to the Annual Statement of Reserves and Resources (ASRR), as published by DNO ASA, dated 16 February 2021, classified as in the Norwegian Petroleum Directorate class 1-3.

International petroleum consultants Gaffney Cline & Associated (GCA) carried out an independent assessment of the Company's licenses in Norway.

The estimation of oil and gas reserves involves uncertainty. The figures above represent management's best judgment of the most likely quantity of economically recoverable oil and gas estimated at yearend 2020, given the information at the time of reporting. The estimates have a large spread especially for fields for which there is limited data available. The uncertainty will be reduced as more information becomes available through production history and reservoir appraisal. In addition, for fields in the decline phase with limited remaining volumes, fluctuations in oil prices will have a significant impact on the profitability and hence the economic cut-off for production.

Note 23 Significant events after the reporting date

10 awards in Norway's APA licensing round

On 19 January 2021, the Company was awarded participation in 10 additional exploration licenses, of which four are operatorships, under the APA 2020 licensing round. Of the 10 new licenses, six are in the North Sea and four in the Norwegian Sea.

Discovery in the Norwegian Sea

On 5 February 2021, the operator of production license 923 Equinor Energy AS announced a discovery of between 45 and 70 MMboe at the Røver Nord prospect of which DNO Norge AS holds a 20 percent interest. The partners are considering fast-track development of the discovery with tie-back to nearby Troll area infrastructure, as well as additional drilling to test other identified prospects on the license.



Statsautoriserte revisorer
Ernst & Young AS

Vassbotnen 11a Forus, NO-4313 Sandnes
Postboks 8015, NO-4068 Stavanger

Foretaksregisteret: NO 976 389 387 MVA
Tlf: +47 24 00 24 00

www.ey.no
Medlemmer av Den norske revisorforening

INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of DNO Norge AS

Report on the audit of the financial statements

Opinion

We have audited the financial statements of DNO Norge AS, which comprise the balance sheet as at 31 December 2020, the income statement, statement of comprehensive income, statements of cash flows and changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Company as at 31 December 2020 and its financial performance and cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Basis for opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Norway, and we have fulfilled our ethical responsibilities as required by law and regulations. We have also complied with our other ethical obligations in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Other information consists of the information included in the Company's annual report other than the financial statements and our auditor's report thereon. The Board of Directors and Chief Executive Officer (management) are responsible for the other information. Our opinion on the audit of the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.



Building a better
working world

2

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with law, regulations and generally accepted auditing principles in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also

- ▶ identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- ▶ obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- ▶ evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- ▶ conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- ▶ evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report concerning the financial statements, the going concern assumption, and proposal for the allocation of the result is consistent with the financial statements and complies with the law and regulations.

Opinion on registration and documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to ensure that the Company's accounting information is properly recorded and documented as required by law and bookkeeping standards and practices accepted in Norway.

Independent auditor's report - DNO Norge AS

A member firm of Ernst & Young Global Limited

Peritoo Dokumentinokkel: 6P2C3-B87W8-4HWAH-6N8MT-4DOHY-2A0B3



Stavanger, 23 June 2021
ERNST & YOUNG AS

The auditor's report is signed electronically

Erik Søreng
State Authorised Public Accountant (Norway)

Penneo Dokumentnr: 6P2C3-B87W8-4HWAH-6V8MT-4DOHY-2AQB3

Independent auditor's report - DNO Norge AS

A member firm of Ernst & Young Global Limited



PENNEO

Signaturene i dette dokumentet er juridisk bindende. Dokument signert med "Penneo"™ - sikker digital signatur.
De signerende parter sin identitet er registrert, og er listet nedenfor.

"Med min signatur bekrefter jeg alle datoer og innholdet i dette dokument."

Erik Søreng

State Authorised Public Accountant (Norway)

På vegne av: Ernst & Young AS

Serienummer: 9578-5999-4-1529830

IP: 92.220.xxx.xxx

2021-06-23 10:41:42Z



Penneo Dokumentnr: 6P2C3-B87W8-4HWAH-6V8MT-4DOHY-2A0B3

Dokumentet er signert digitalt, med **Penneo.com**. Alle digitale signatur-data i dokumentet er sikret og validert av den datamaskin-utregnede hash-verdien av det opprinnelige dokument. Dokumentet er låst og tids-stemplet med et sertifikat fra en betrodd tredjepart. All kryptografisk bevis er integrert i denne PDF, for fremtidig validering (hvis nødvendig).

Hvordan bekrefter at dette dokumentet er originalen?

Dokumentet er beskyttet av ett Adobe CDS sertifikat. Når du åpner dokumentet i

Adobe Reader, skal du kunne se at dokumentet er sertifisert av **Penneo e-signature service <penneo@penneo.com>**. Dette garanterer at innholdet i dokumentet ikke har blitt endret.

Det er lett å kontrollere de kryptografiske beviser som er lokalisert inne i dokumentet, med Penneo validator - <https://penneo.com/validate>



Skattedirektoratet

| | | |
|------------------------------------|-------------------------------------|------------------------------|
| Saksbehandler Geir Johannessen | Deres dato 15.04.2015 | Vår dato 24.04.2015 |
| Telefon 22 07 73 25/22 66 11 14 | Deres referanse Jon Håkon Østhus | Vår referanse 2015/377895 |

ERNST & YOUNG AS
Postboks 20 Oslo Atrium
0051 OSLO

Tillatelse til å utarbeide årsregnskap og årsberetning på engelsk språk

Vi viser til deres brev av 15. april 2015 der det søkes om dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk fra og med regnskapsåret som ble avsluttet 31. desember 2014 for følgende selskaper:

Origo Exploration AS, org.nr. 913 905 792
Origo Exploration Norway AS, org.nr. 913 905 881
Origo Exploration Holding AS, org.nr. 813 547 872

Skattedirektoratet gir på bakgrunn av en konkret helhetsvurdering ovennevnte selskaper dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk fra og med regnskapsåret 2014, jf. regnskapsloven § 3-4 tredje ledd.

Dispensasjonen forutsetter at opplysningene som vedtaket baserer seg på ikke endres vesentlig.

Kopi av dette brevet må sendes Regnskapsregisteret i Brønnøysund sammen med årsregnskapet. Det påligger den regnskapspliktige å dokumentere ved dette brev at tillatelsen er gitt.

Bakgrunn

Selskapene ble etablert i 2014 av personer med lang erfaring fra leteaktivitet og produksjon i Norge og UK, og driver i dag letevirksomhet både i Norge og i UK (via datterselskap registrert i UK). Letevirksomheten ligger i Origo Exploration Norway AS, mens de to andre selskapene er en del av selskapsstrukturen i konsernet. Engelsk er det klart dominerende språket innen oljebransjen, og konsernets arbeidsspråk er engelsk. Styrene i selskapene har i hovedsak engelskspråklige medlemmer. Det er ingen forhold rundt selskapenes finansiering som skulle tilsi behov for regnskap på norsk, da selskapene ikke har vesentlig ekstern gjeld, med unntak av letefasilitet. Det er avtalt med bankene at dokumentasjon knyttet til denne letefasiliteten skal være på engelsk. Eierne av norsk konsernspiss består i hovedsak av utenlandske aktører.

Skattedirektoratets vurdering

Etter regnskapsloven § 3-4 tredje ledd skal *”årsregnskapet og årsberetningen ... være på norsk. Departementet kan ved ... enkeltvedtak bestemme at årsregnskapet og/eller årsberetningen kan være på et annet språk.”*

Postadresse
Postboks 9200 Grønland
0134 Oslo

Besøksadresse: Sentralbord
Se www.skatteetaten.no 800 80 000
Org.nr: 996250318 Telefaks
E-post: skatteetaten.no/sendepost 22 17 08 60



I Ot. prp. nr. 42 (1997-1998) Om lov om årsregnskap m.v., er det uttalt følgende om regnskapslovens formål, jf. pkt. 1.1:

”Regjeringen har som siktemål at regnskapsloven skal bidra til informative regnskaper for ulike grupper av regnskapsbrukere. Regnskapsbrukerne er dels investorer og kreditorer som tilfører kapital til foretakene, og dels andre grupper som har interesse av å vite hvordan foretaket drives, f.eks. de ansatte og lokalsamfunnet. Informasjonen til kapitalmarkedet skal gi grunnlag for riktig prising av finansielle objekter. Riktig prisdannelse på aksjer er en forutsetning for at ressursbruken i samfunnsøkonomien skal bli best mulig. Gode regnskaper vil også gjøre det vanskeligere for markedsdeltakere å ta ut spekulasjonsgevinster med basis i skjevt fordelt informasjon.”

Det fremgår således at et av hovedformålene med regnskapsloven er å bidra til “*informative regnskaper for ulike grupper av regnskapsbrukere*”. Regnskapsbrukere vil omfatte, jf. uttalelsen i proposisjonen, blant andre investorer, kreditorer, ansatte og lokalsamfunnet.

Det er etter Skattedirektoratets vurdering derfor avgjørende ved vurdering av om dispensasjon fra kravet til å utarbeide årsregnskap og/eller årsberetning på norsk kan gis, at det ikke foreligger mulige brukere av regnskapsinformasjon som blir vesentlig berørt negativt ved en eventuell dispensasjon.

Det er særlig hensynet til brukerne av regnskapsinformasjon som skal vurderes ved en dispensasjonssøknad. I denne vurderingen har Skattedirektoratet lagt særlig vekt på at selskapene driver virksomhet innen en internasjonal bransje der alle vesentlige aktører behersker og benytter engelsk språk, og at arbeidsspråket i konsernet i stor grad er engelsk. Videre er det vektlagt at eierne til den norske konsernspissen i hovedsak er utenlandske aktører.

Vennligst oppgi vår referanse ved henvendelser i saken.

Med hilsen

Rune Tystad
Seniorrådgiver
Rettsavdelingen, foretaksskatt
Skattedirektoratet

Geir Johannessen

Dokumentet er elektronisk godkjent og har derfor ikke håndskrevne signaturer