

Annual report
2013

concedo

About Concedo

Concedo is a Norwegian oil company focusing on exploration on the Norwegian Continental Shelf. The staff is highly experienced, and has contributed in many discoveries in the past. The vast majority of our staff are geologists or geophysicists, all having many years experience from both Norwegian and international oil industry.

Concedo is a privately held company, and takes the role as partner in its licences. There are no plans to change to a role as operator, to list the company or to seek opportunities internationally.

The company's business model is to divest discoveries prior to field development. Adhering to this strategy will enable us to maintain an effective organisation and to be among the best exploration environments in Norway. Our strategy is proven by considerable value creation from our position as a licensee.

What we do

Our key tools in identifying new opportunities for discoveries are seismic, well data, and the staff's overall experience. Testing of new technology like electromagnetic data and special processing of seismic data may in certain situations prove very important. Our future is decided through our daily work, namely interpretation, analysis and integration of the various data.

Concedo was pre-qualified as a licensee in 2007, and has since then been awarded licence shares in the annual concession rounds (APA rounds). Both the 20. and 21. Concession rounds have also proven the quality of the prospects. The discoveries have been successfully sold to Statoil and Wintershall.



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A window of

opportunities

Our ambition is to be one of the best exploration teams on the Norwegian Continental Shelf. The excellent team, financial position and business model make a solid foundation for further value creation. At the onset of 2014 we are in the middle of its most active drilling period ever. Our goal is to make at least one commercial discovery during this drilling campaign.



Introduction to the annual report by the General Manager

In which countries worldwide would one not want to have the following goals:

- An industry that creates great values, that provides a basis for welfare and strives to minimize the effects on nature
- An industry that is operated by expertise and is in constant development in order to solve new tasks
- that offers graduates fantastic opportunities of participating in technology and knowledge enterprises in an international environment
- where you are unlikely to become too old to participate, for as long as you want to do so
-where the industry contributes towards settlement and growth along the coast and in inland areas
- where there is a global market for products and solutions

These are not unachievable wishful dreams. My opinion is that at present the oil and gas industry in Norway conducts its operations in such a manner that these aims are all fulfilled every day.

The world needs energy, and the manner in which we use this energy must be improved, in the same way as the oil and gas industry is constantly improving. This too is brought about by knowledge and technology. Reduced consumption of coal combined with increased consumption of gas is for example one easy way to reduce global CO₂ emissions. USA is about to make this transition from the “coal age” to the “gas age” while Europe is consuming more and more coal.

In her New Year’s speech, the Prime Minister, Erna Solberg, said that “for Norway, knowledge is the oil of the future”, meaning presumably that through knowledge we can create values for Norway in the same way

as oil has done for over 40 years.

The oil resources on the Norwegian continental shelf have from the very start been demanding, both to find and to produce. Therefore “oil” and “knowledge” have gone hand in hand. It has never been a matter of merely harvesting wealth from a readily accessible raw material. Relying on knowledge in general can be well enough, but relying on knowledge when we already have a great deal to build upon, is very much better. Therefore investing further in the knowledge industry, “oil and gas” is one of the best things we can do in Norway.

This is also what we are eager to do in our field in Concedo. In conjunction with many international and Norwegian milieux we constantly build up our established knowledge, using new technologies and techniques to find new oil deposits. Innovation and creativity are supplied by the manifold players among the oil companies and suppliers and, in the same way as in a versatile ecosystem, are more robust than if only a few species were allowed to become dominant.

New discoveries are the main target of all Concedo’s activities. However, no new discoveries were made in 2013.

We participated in the drilling of two dry wells, in the Darwin and the Brattholmen prospects. Drilling the Novus well started late in the year, on 10 November 2013. The operations took a long time due to bad weather and drilling did not reach the reservoir until 13 January 2014. “Novus” means “new” in Latin and in this case it meant new oil for Concedo, but there was very little new oil. This discovery could not be commercial alone. However we have good hope that, by combining the well results with a detailed analysis of the seismic, it will be possible to determine whether there are other areas in the licence that will be

worthwhile drilling targets. We might be on the track of a commercial oil discovery in this licence.

We can also say that “New Concedo” emerged in the course of autumn 2013. We are highly satisfied with having four new, capable colleagues who are an excellent supplement to our team. Ane, Hilde, Tommi and Juergen are well under way creating values for Concedo. I also wish to thank Arve and Nils, who have chosen to retire, for all they have done for Concedo.

Concedo has adhered to the strategy that was defined when the company was established. The central elements in this strategy are to:

- be one of the best exploration environments on the Norwegian continental shelf
- participate in drilling 1 – 3 wells each year
- concentrate on oil prospects, especially near infrastructure
- not participate in drilling in extremely deep waters, extremely deep drilling or especially sensitive environments
- retain status as a partner – not an operator
- retain a small, technically focused organisation
- not to become a listed company

Since its prequalification in spring 2007 Concedo has participated in the drilling of 11 wells, including sidesteps. Hydrocarbon columns were found in 6 of these wells. We took part in the gas discovery Galtvort, the oil discovery Gygrid, now called Hyme, the oil discovery Maria and now, at the beginning of 2014, the oil and gas discovery, Novus. Returns were created by selling our first discoveries to Statoil and Wintershall, to the benefit of the community and the shareholders and providing a basis for continuing active exploration.

Our objective for 2013 was to make

discoveries and obtain at least four new licences. In APA 2012 we were awarded two licences early in the year. We also devoted much work to the 22nd licencing round in the Barents Sea, but did not receive any award. However the work on the 22nd licencing round has created a good basis for assessing future business opportunities in the Barents Sea.

During 2013 we laid the foundations for drilling two wells in 2014. We completed final preparations for drilling in the Byrkje prospect on PL 607 and at the same time, a deal with OMV made it possible for us to participate in drilling in the Ensis prospect in PL 393B. Maybe also activities in PL 645 (Novus) gives a basis for further drilling activity.

During 2013 we drew up the largest APA application ever and now, in January 2014, we received the gratifying news that we had been awarded seven new licences. These new APA 2013 licences are in petroleum provinces in the North Sea, the Norwegian Sea and the Barents Sea and the work programmes for these new licences are to our satisfaction.

In 2013 we also chose to devote particularly hard work to two of our licences, PL 616 and PL 680, whereby we contributed strongly to identification and evaluation of the prospectivity. In the case of PL 680 this led to the partnership deciding that it would be proper to relinquish this licence, whereas for PL 616 it, with good support from the Operator and other partners, led to the belief that we will end up with a drilling decision in 2014.

Towards the end of the year we are well under way with work on APA2014 and preparations for the 23rd licencing round.

The basis for new discoveries is created when Concedo's geophysicists and geologists continue to see new possibilities. Hard work to identify opportunities in

the subsurface and use of new technology that can help us, are the very spark plug in the exploration engine. The plug has sparked for Elisabet, Tommi and Odd at very short intervals. After many weeks of hard work, the seismic and charts suddenly revealed new possibilities. Next week the sparking may occur for Anders, Hilde, Enric, Juergen or Ole Herman. Support from well analysis from Morten, Ane and Dirk may afford grounds for more enthusiasm. The key to success is to spend enough time working on the technical data available, with the different disciplines cooperating closely.

In the course of the latter years we tested some of the new exploration technologies, including electromagnetic data (EMGS, Petromarker and ORG), sea floor sampling (GORE, bacterial analysis and traditional analysis), special analyses of seismic data and analysis of fluid inclusions. In the future we will to an increasing degree prepare and present various versions of the seismic ourselves. This will be an important tool to identify opportunities.

So far some of the technologies have led us to conclude that there was little possibility of making a commercial discovery and therefore no drilling should take place. In those cases where the technologies indicate the possibility of a discovery, we are still in some doubt as to how much weight should be attached to the results.

The Norwegian continental shelf is one of the most prospective regions in the world. The Wisting and Gotha discoveries in the Barents Sea were the most positive surprises in 2013. The Petroleum Directorate's estimates of undiscovered oil resources indicate that there should be many new, big discoveries in future. By active contributions in licencing rounds and licence partnerships, Concedo wishes make this a reality.



Geir Lunde

Geir Lunde
CEO

Expectations:

the feeling that something is about to happen.





Christa Manning

GEOLOGICAL ADVISOR

Submission of Licencing Round Applications

In APA as well as in numbered Licencing Rounds, it is common to apply as a group, a so called AMI (Area of Mutual Interest). Either a company invites Concedo to join an AMI and presents a prospect or lead, or Concedo is the inviting company.

If the receiving company sees potential in the presented prospect and/or lead it is quite common for this company to propose one or two opportunities for the company that initiated the AMI. It is beneficial to share each other's experience and expertise. In this way, the evaluation could be more thorough, four eyes see more than two. Different companies can evaluate the same areas but see different potential due to area experience and insight of well data and other licence data not available to the other company. The AMI co-operation is usually a win-win situation for the companies involved.

Another side of it is the relations and networking established between the companies involved. This can lead to future good cooperation in licences and coming APA as well as numbered Concession Rounds. Concedo took part in six applications in the APA 2013 round (see figure). This is the most comprehensive submission for an APA in the company's history. The application date was 11th September 2013.

In 2013 there was no numbered Concession Round which normally take place every second year. The latest was the 22nd Round with application deadline in December 2012. The work flow is relatively similar compared to APA.

The process of finding candidates for the APA 2013 applications started in February 2013 when we received the APA 2012 award. We then knew which areas were already taken and consequently what to expect for the APA announcement. In

addition, we constantly keep track of licences being relinquished.

The processes going on in Concedo from the start of the APA work to submission of the application is long and often a trial of patience. During the process of bringing up candidates for an application, we screened 14 areas spread over the Norwegian Continental Shelf (NCS). Within these areas, several leads and prospects were up for discussion both internally and in meetings with potential AMI partners. We had weekly internal meetings where we presented and discussed each of the screened areas with our colleagues. Sometimes we get very enthusiastic.

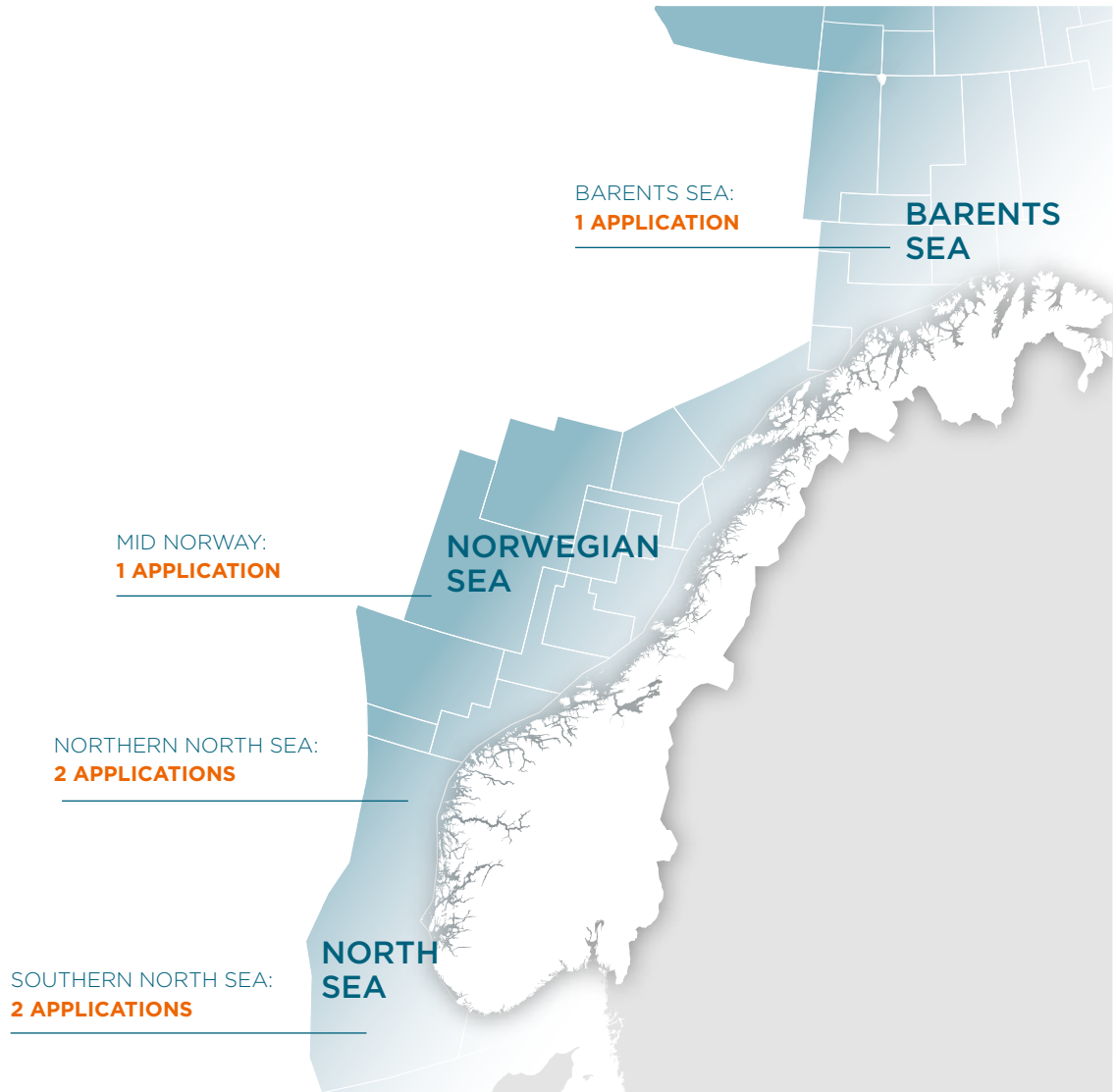
Many of these leads and prospect possibilities were however too risky or too small, and were left out. An area brought forward in the first and second discussion round could be dropped at a later stage. We finally decided to go forward with six areas that were acceptable with respect to size and risk.

The identification of prospects involves several stages. It commences with data gathering. This involves both seismic and well data. Then seismic mapping and well analysis are carried out. It is always important to establish a good well tie before starting up the seismic interpretation. The time needed for the seismic mapping varies a lot. It does not mainly depend on the size of the area being mapped, but more on seismic data quality and the complexity of the geology in the area. The confidence of the mapping

List of abbreviation used ex;

APA - Application for Predefined Area

AMI - Area of Mutual Interest



also depends on the amount of reliable well ties in the area.

When Concedo internally has come up with a possible prospect worth putting forward, we present it to a potential AMI partner. The prospect(s) and/or lead(s) included in the area of interest could be approved at the first “pre-AMI meeting” resulting in the establishment of an AMI group. Alternatively, the area could be dropped at the initial meeting. More often, the verdict on the prospects falls after some evaluation work has been carried out. This work can be both evaluation of existing data and sometimes reprocessing of seismic or acquisition of EM or other data.

There are usually several people with different skills included in the process of maturing prospects. It is up to the person(s) evaluating the area to look at critical issues and to suggest the best

way to solve these. If we do not have the capacity or expert skills needed internally, we contact external expertise.

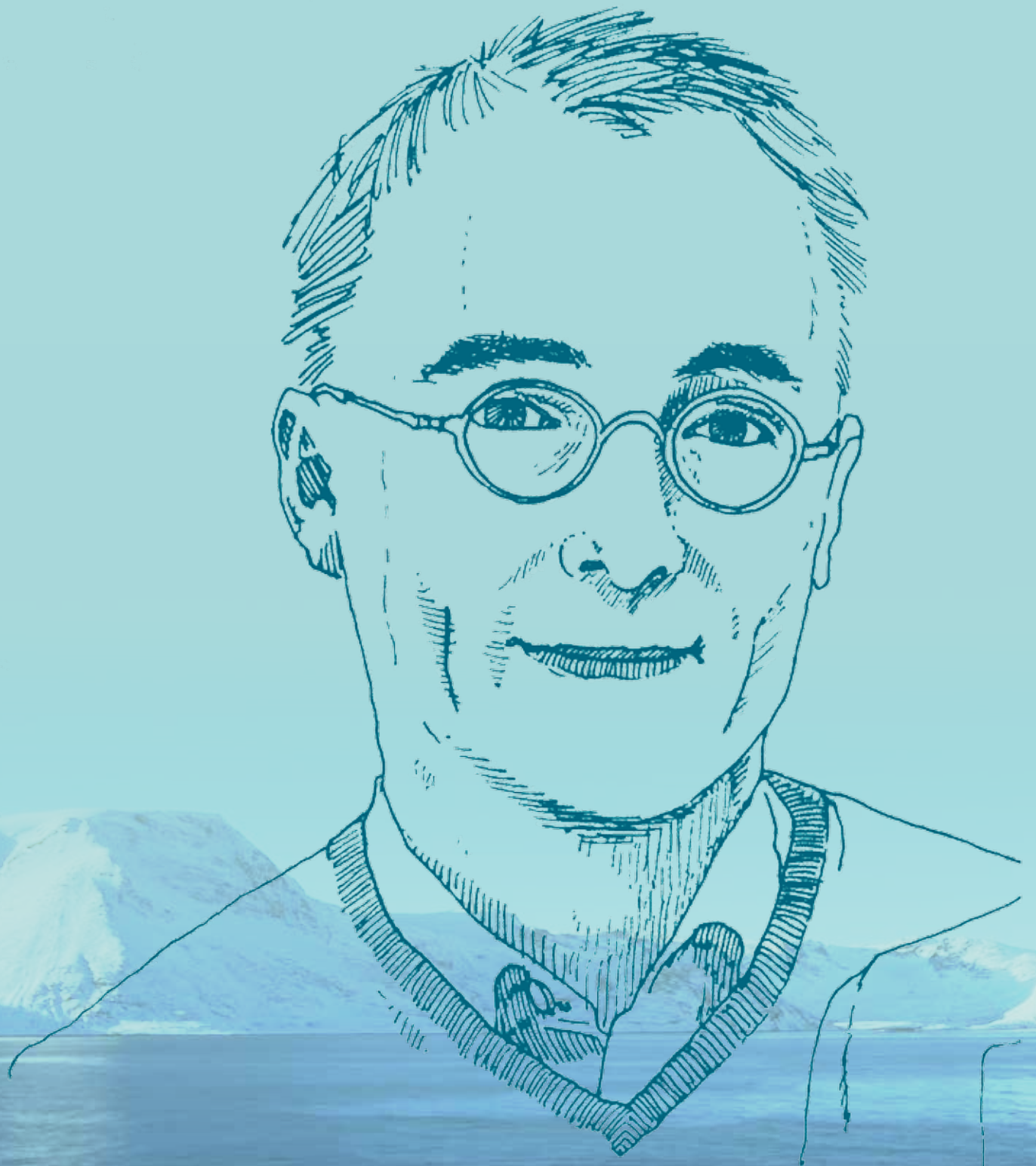
When the geological and geophysical evaluations are completed, we gather for a “risk process”. In this process we thoroughly discuss every risk factor for the specific prospect. Finally, we come up with a company prospect risk. The commercial side is also evaluated. The commerciality of a discovery does not depend solely on its recoverable volume. It depends on where it is located, proximity to infrastructure, whether the infrastructure has capacity to bring in additional volumes and when production can take place. The hydrocarbon phase is another important factor; is the expected hydrocarbon volume oil, gas or both?

Another factor is the complexity of the prospect. The number of faults that could be sealing is important for the number

of wells, producers and injectors needed for an optimal recovery of the hydrocarbons. More wells means higher cost. The depth of the reservoir level and the pressure regime are also important. Deep wells cost more to drill and the cost of a HPHT (High Pressure High Temperature) well is higher than that of a normal well.

It is a long process of work including geological and geophysical workmanship before ending up with an application. It includes several steps; beginning with the screening phase including data gathering and interpretation, the identification of prospects, the AMI phase, the special studies, the risking and the commercial evaluation. This comprehensive process is carried out for every application submitted.

In APA 2013, we were happy to obtain seven new licences.



Andeo G. Sirkhal
SENIOR GEOPHYSICIST

Opportunities:

A favourable combination of knowledge and expectations.

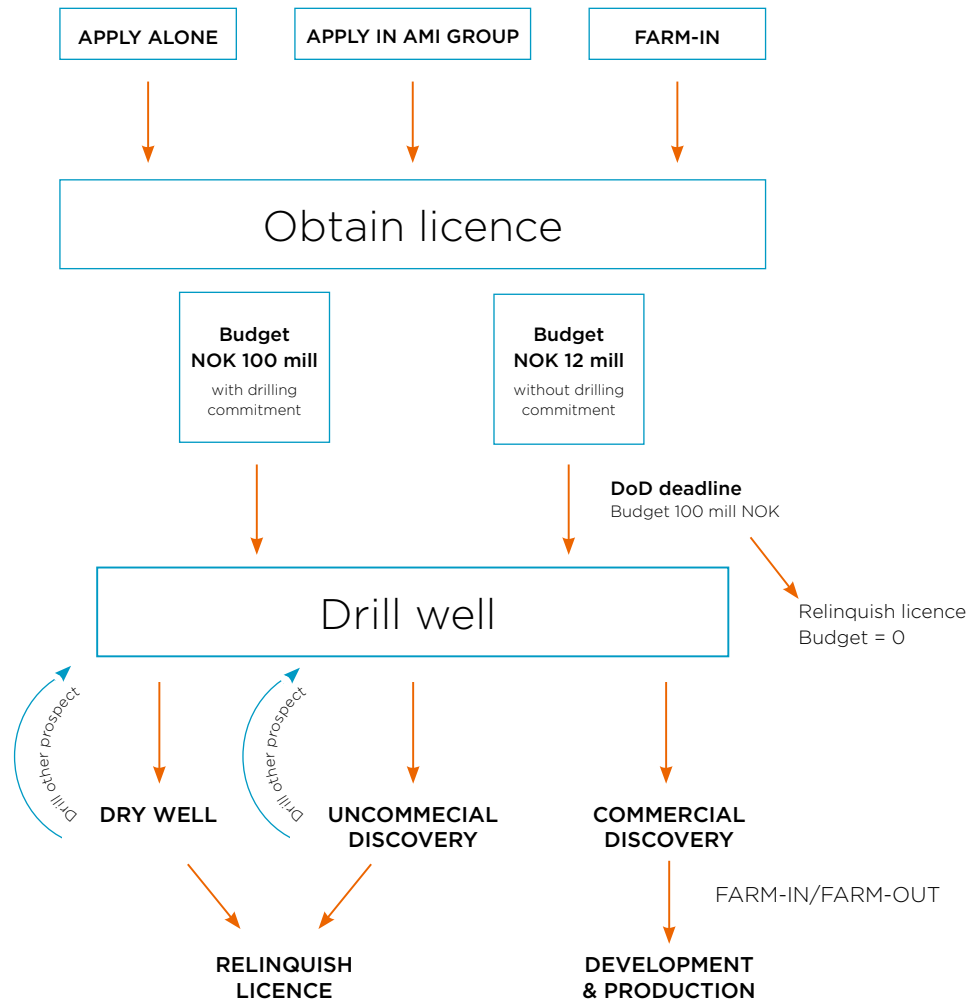




After licence award, the Licence Operator invites the licence partners to the first licence meeting.

Drilling decisions and location

THE PROCESS



At this meeting, the licence partners are introduced to each other, the responsibilities of the Management Committee (MC) and Exploration Committee (EC) are defined and the work program and deadlines of the licence are reviewed. The voting rules of the licence are also established. These rules are made so that the licence partners can work together amicably and professionally in spite of differences of opinion.

At the first licence meeting, it is common to present a short summary of the licence application. Naturally the focus is on the prospects and leads. There may be differences in opinion as to where the best prospect of the licence is located. Indeed, the main prospect of one applicant may have been missed or may have only been discussed as a lead by the other.

Typically, the work program includes the acquisition of 3D seismic data covering parts of, or the whole licence. If this is the case, the licence must quickly decide if it should acquire new 3D data or purchase already existing seismic data from one of the many seismic companies. Studies related to well data and basin modelling are also common ingredients in a licence work program. So is re-processing of old seismic data and geophysical studies like Amplitude Versus Offset (AVO) and seismic inversion.

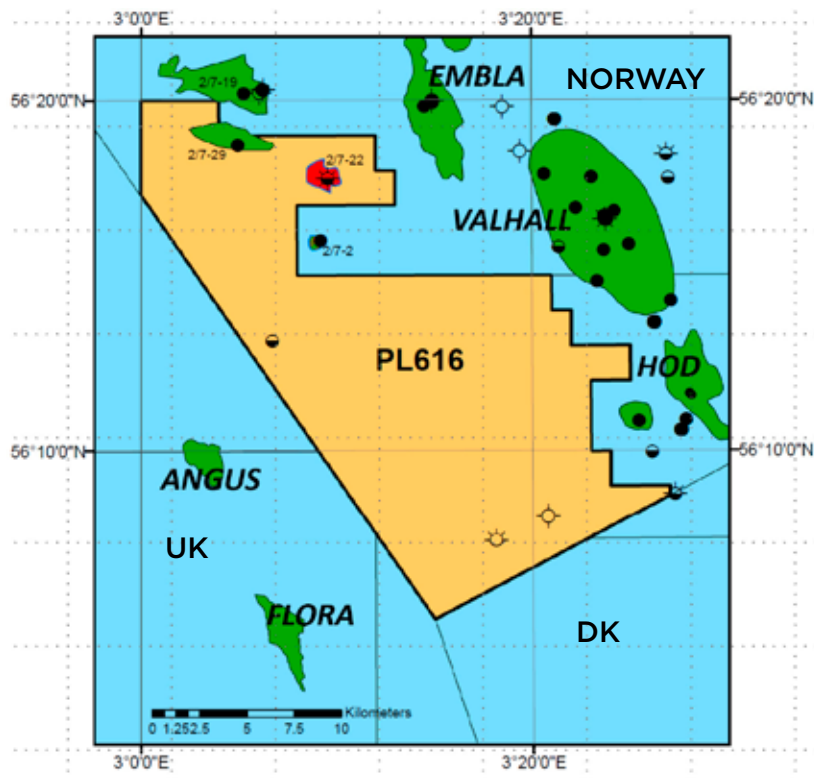
In all these examples of licence work it is important to get started relatively early in the lifespan of the licence, so that it is possible to utilize the study results in important licence decisions related to whether or not to drill a well, and what prospect to drill.

Licences awarded in attractive areas with obvious drilling targets may come with firm drilling obligations. This will often place the licence budget in the range of 400-600 million NOK. In licences without mature prospects, there will be work obligations leading up to a Drill-or-Drop (DoD) decision, normally after two years of data collection and studies.

Production Licence 616

Production licence 616 can be used to illustrate the work in the licence phase.

Together with the AMI partners Edison (operator), Noreco, Skagen44 and North Energy, Concedo was awarded production licence 616 in early 2012. Since then, one newcomer has farmed into the licence - Lime Petroleum, bringing the number of licences



||| The hope is that the licence partners will agree on a worthy target and strike oil in 2015!

up to six. PL616 is located in the southernmost part of the Norwegian North Sea. The licence is surrounded by oil fields on all sides: to the east by the gigantic Valhall and Hod fields, to the northeast by the Embla oil field, to the north by several oil/condensate discoveries, and finally, to the west across the UK border by the Angus, Flora and Fife oil fields. The hydrocarbon reservoirs in these fields range in age from Cretaceous chalk in Valhall and Hod (60 million years) to Jurassic sandstones in the discoveries to the north and in the UK fields (200 million years) and to Devonian sandstones in the Embla field (400 million years). In 2012, Concedo visited Scotland and examined Devonian reservoir rocks in outcrop. These rocks are good analogue sandstones to the ones producing in the Embla field.

With a proven hydrocarbon generating system and such a large number of possible reservoir rocks, the potential of PL616 is considered high. This is reflected in the unusually high amount of activity the licence has had so far including six EC/MC meetings, three work meetings and one core workshop.

Through these meetings, a good dozen prospects and leads have been analyzed. With a DoD date in August 2014, the licence now enters a very excited period. First, the licence has to decide which of



Concedo field trip to Scotland in 2012 looking at Devonian sandstones in outcrop.

the three top ranked prospects that is best. Then, the licence has to decide whether the prospect is good enough to be drilled. It is a very demanding task to make these decisions – especially because all the prospects are so different, but still of high quality.

One possible outcome is that the licence finds two of the prospects drillable and that both prospects should be drilled independent of one another. Another possible outcome is that the licence group decides that

the chance of success is too low after all, and that none of the prospects should be drilled. In this case, the licence will be relinquished in 2014.

Concedo has been very active in the licence work on PL616 and has contributed a great deal to the technical licence work and prospect definition. The hope is that the licence partners will agree on a worthy target and strike oil in 2015!

KEY WORDS:

AMI Group: Two or more oil companies working together to make an application for licence acreage.

APA/TFO: Awards in Predefined Areas (mature parts where the acreage has been licenced before). The Norwegian abbreviation for APA is TFO (Tildeling i Forhåndsdefinerte Områder). Companies are annually invited to apply for APA acreage. The deadline for APA applications is normally in September, with awards following early next year.

AVO Study: Detailed study of the seismic signal in a prospect to learn more about whether the prospect reservoir contains water, oil or gas.

Basin Modelling: Simulates the burial history of a basin, its thermal history and models petroleum migration.

Carried Interest: An oil company farms into a licence by committing to cover licence costs exceeding the obtained percentage (e.g. also covering parts of the seller's costs). The Norwegian term used for "carried interest" is "bæring".

Numbered Licencing Round: The Norwegian Authorities invite the oil industry to apply for new acreage in licencing rounds. The blocks on offer are announced with an application deadline date. Normally, numbered licencing rounds take place bi-annually with the application deadline in December and awards the following spring. It is expected that the 23rd licencing round will be announced in summer 2014 with a deadline in 2015.

Data Room: Used when a company needs to further inspect licence data prior to obtaining interest in the licence (farm-in).

DoD Deadline: The date when a licence must decide to either commit to drilling a well, or to relinquish (drop) the licence.

EC Member: Exploration Committee Member: Each company has one EC Member (and one EC Deputy). The EC Member is responsible for all the technical work in the licence and must be well acquainted with the licence geology, prospects and leads.

Farm-in: An oil company obtains interest in an already existing licence (farms into a licence).

Immature Acreage/Virgin Acreage: Opposite of mature acreage.

Lead: A loosely defined prospect opportunity. A lead may or may not become a prospect as a result of more geological and geophysical work.

Licence Operator: Every production licence has one Licence Operator. The Licence Operator bears main responsibility for the licence administration, G&G work and drilling operations.

Licence Acreage: An area defined by geographical coordinates within which the licence holders exclusively can undertake exploration activity according to the licence work programme and within the specified deadlines of the work programme.

Licence Work Programme: When a licence is awarded, it is always associated with a work programme. The licence operator and partners are obliged to fulfill the work programme within specified deadlines. Typically, a work programme may include the drilling of an exploration well or the acquisition of 3D seismic data. Other typical work programme

items are G&G work and seismic mapping, re-processing of seismic data and collection of other datasets such as geochemical samples or electromagnetic data (EM).

Mature Acreage: Acreage where the geology and petroleum system is well known. Most often acreage with one or more exploration wells. Opposite of mature is immature or virgin.

To Mature a Prospect: To work with a lead/prospect and its data to ensure that the quantitative estimates are such that chances of success are likely. Most prospects will never be mature due to limited volumes or uncertainties related to hydrocarbon charge, reservoir and containment (seal). In Norwegian the term to mature a prospect is "å modne et prospekt".

MC Member: Management Committee Member. Each company has one MC Member (and one MC Deputy). The MC Member is responsible for all decisions in the licence.

Prospect: Identified potential hydrocarbon reservoir. All prospects will have prospect data such as maps showing the top of the reservoir, potential volumes of the reservoir and most importantly an estimated chance of success.

Seismic inversion: Detailed study of well-seismic relationship and the application of this to seismic data so that the seismic is converted to show the different rock types instead of the boundaries between them.

Well stratigraphy study: Study of well log data together with biological remains from well cuttings (fossils) giving more exact geological ages of the drilled rock formations.



Aldevarado

OPERATIONS MANAGER

Prepared:

Fitted out with what is necessary. Always ready to bite the bullet.



Drilling, collecting information and discovery

There are different types of wells, drilled for different reasons. Commonly, these are referred to as exploration wells, appraisal wells, production wells and injection wells.

Although these well types have much in common, there are also major differences due to their different purposes. The following discussion describes some of the principles for a typical exploration well.

When a potential oil or gas accumulation (prospect) has been identified in the ground, an exploration well has to be drilled in order to prove that hydrocarbons are present. A typical exploration well on the Norwegian continental shelf is 2000–5000 meter deep, total well cost is normally in the range of 300–800 mill kroner, and duration is typically 30–70 days.

After the owners of the production licence in question have made the drilling decision, hiring a rig is the next step. For drilling on the Norwegian Continental Shelf, the rig type can be either a jack-up, a semi-sub or a drillship depending on water depth, availability and price. The operating oil company, on behalf of the licence owners, will sign a contract with the rig owner typically 6–18 months prior to spudding the well.

COLLECTING INFORMATION

The reason for drilling an exploration well is to prove the existence of an oil or gas accumulation in the ground. Additional information, like depth of

formation tops, formation pressures and reservoir properties are also important knowledge for future exploration of the area.

Different measurements are made as the well is drilled. These measurements are generally of two types:

1. Drilling related measurements, providing essential information to be used for optimizing the drilling process, and
2. Geology related measurements for understanding the rocks penetrated by the drill bit.

In addition, drill cuttings recovered from the mudflow are closely examined with a microscope and are an important contribution to understanding the geology and the selection of drilling parameters.

A continuous measurement of a parameter versus depth or time is commonly referred to as a log, and various logs are recorded over the entire, or part of, the drilled sections. The number and types of measurements recorded will vary across the different sections of the well. Most logs are recorded across the reservoir section(s) in order to carry out a detailed formation evalua-

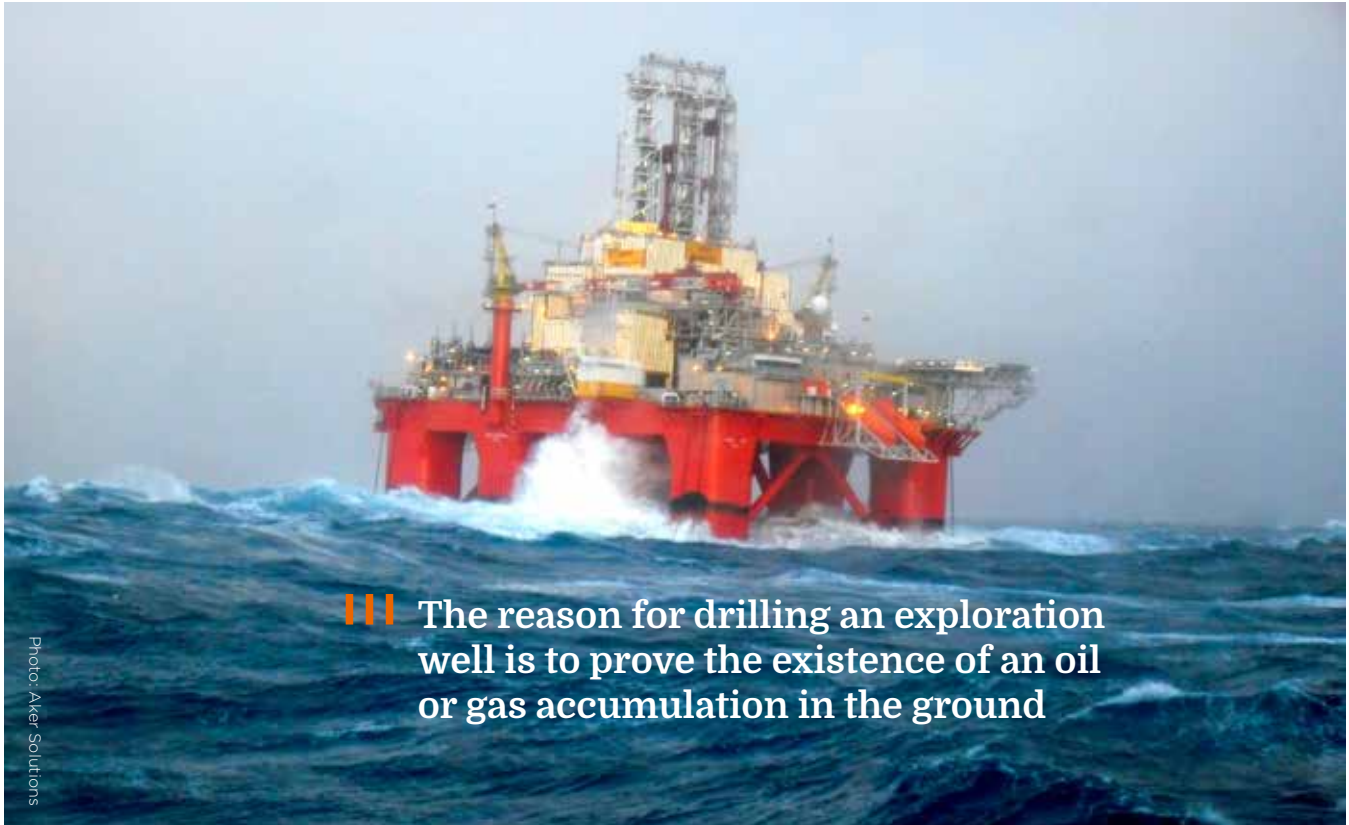


Photo: Aker Solutions

||| The reason for drilling an exploration well is to prove the existence of an oil or gas accumulation in the ground

tion. This is crucial for estimating how much gas/oil/water the reservoir contains. Outside of the reservoir section(s), a more basic set of logs is acquired. These logs are primarily acquired to identify the geological layers and their respective depths (stratigraphy). With such information, one can compare the stratigraphy of wells in an area and develop an understanding of the geology.

For exploration wells, the measurement of formation pressure is an important parameter for four reasons:

1. To verify that the formation pressure is lower than the pressure in the mud column (for safety reasons).
2. To identify the different fluid contacts from intersection of fluid gradients (gas is lighter than oil and oil is lighter than water).
3. Comparison of formation pressure between neighbouring wells provides information about pressure communication or isolation.
4. Pressure measurements also provide basic information regarding the permeability of the formation, i.e. the rate of flow of a liquid or gas through the reservoir.

All of the logs described above are referred to as open-hole logs as they are recorded prior to setting casing.

There are two different methods for acquiring open-hole logs:

1. Measurements or Logging while Drilling (MWD/LWD) give continuous real-time measurements while drilling is going on. The logging instruments are integrated in the drill string.
2. Wireline logging tools are lowered into the borehole and run after section TD is reached.

Using a combination of the two logging methods is very common for a modern exploration well.

DISCOVERY

Logs and drill cuttings will give an early indication of whether the reservoir contains hydrocarbons (gas and/or oil) or water. In the case of a hydrocarbon bearing reservoir it is a requirement from the authorities to cut one or more cores. A core is cut with a special drillbit that enables recovery of a lengthy (cylindrical) piece of rock. From this core, one can make detailed geological descriptions of the reservoir rock as well as making very accurate measurements of the rock properties

essential for developing a proper reservoir model.

In the event of a discovery, several key questions come up. Is it gas or oil? What are the volumes? What are the properties of the oil or gas? Do the reservoir fluids contain any toxic or dangerous elements? Is it a potentially profitable discovery? The answers to these questions give the basis for deciding what to do next; for example drilling a sidetrack, doing a production test, acquiring more logs or data, or perhaps more fluid samples are required.

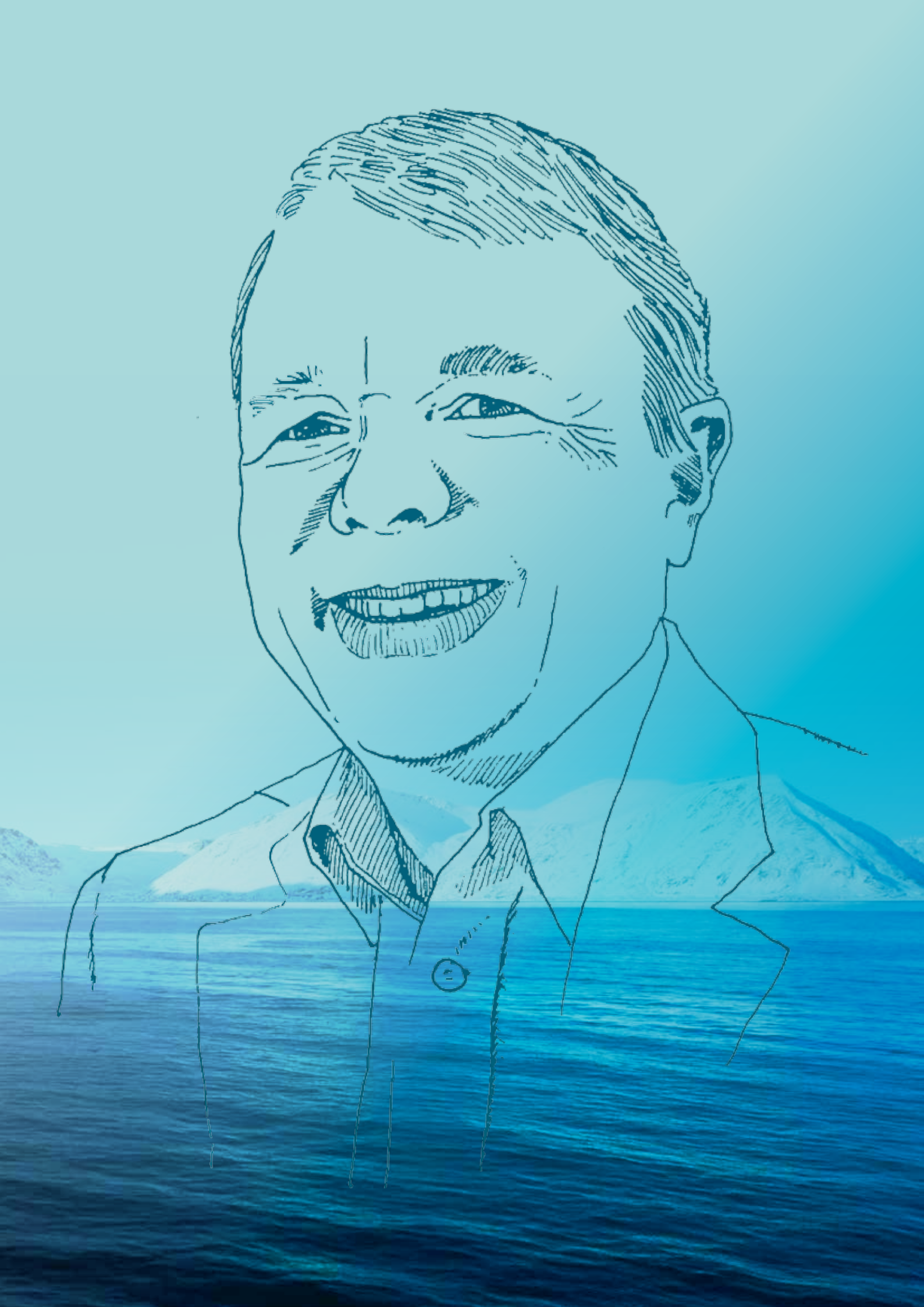
As the work programme for the exploration well is completed and the well is abandoned, the time-consuming and detailed analysis of all well data starts. Some of the data, e.g. core- and fluid-analyses, may take months until they are available to the oil company for use. All the different pieces of information end up in an integrated report summing up the well results, and providing a solid platform for further studies towards commerciality.

Endurance

The power of withstanding hardship.

Olav Herman Fjellten

CHIEF RESERVOIR GEOLOGIST



Reservoir Modelling

The description of oil and gas accumulations is based on various geological and geophysical data acquired in wells and by seismic surveys. The data are prepared and interpreted by specialized geoscientists that make their contribution to the overall understanding of the hydrocarbon accumulation. Among the subspecies of geologists we can mention sedimentologists and stratigraphers (working with sediments and the layering of these); palaeontologists and palynologists (who determine rock age based on animal and plant remains); structural and operations geologists. Likewise, there are acquisition, processing and interpretation geophysicists.

Other important disciplines are covered by petrophysicists (working with well logs) and production and reservoir engineers.

All of these experts give their important contributions to answering the questions all oil company managers are asking: How much oil can be produced? At what rates? And ultimately: What is the value of the accumulation? This is where reservoir modelling has become an important tool. All necessary data from the contributing scientists are incorporated into a consistent digital 3D model that can be used to answer the important questions.

The exploration and production of oil and gas accumulations go in stages. First, something interesting is spotted in the data; this is called a Lead. Then the Lead is matured into a Prospect by collecting more data. We are then in a position to estimate potential volumes of oil and/or gas, and to plan an exploration well. After the well has been drilled and hydrocarbons are found to be present, we have a Discovery. One or more appraisal wells will then normally have to be drilled in order to determine the size of the discovery. If the size of the Discovery is above an economic threshold, field development is carried out and we have a field.

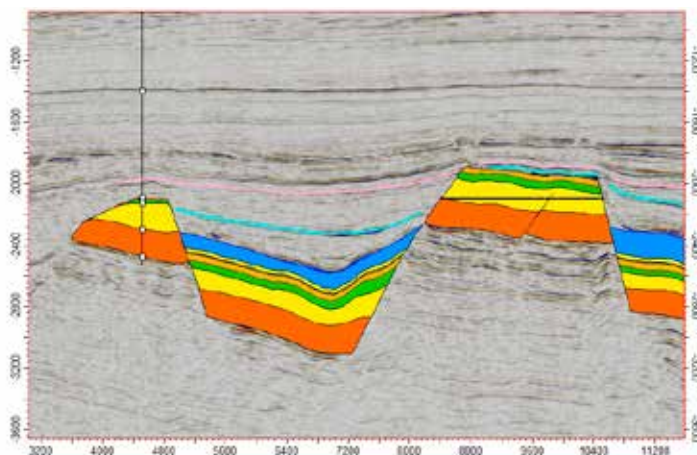
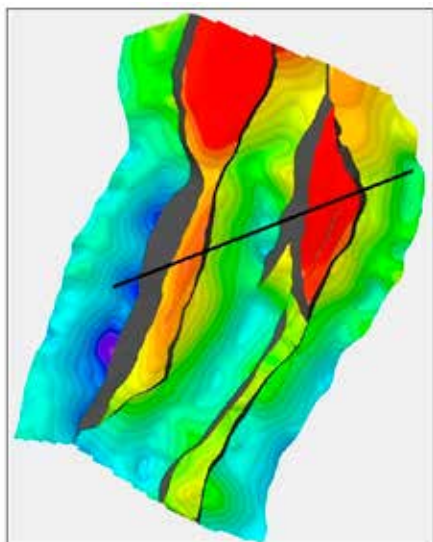


Figure 1. Map and vertical section through reservoir model

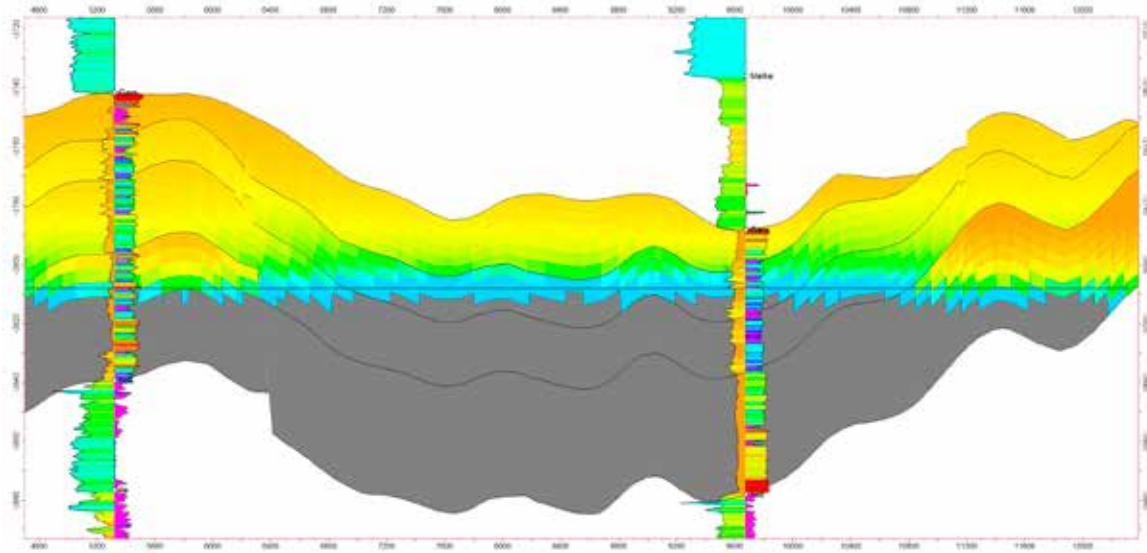


Figure 3: Vertical section showing wells with wireline logs displayed together with reservoir structure and prediction of water saturation (coloured grid cells)

Reservoir modelling is an important activity from early prospect evaluation through the different stages to field development, production maintenance and eventually increased oil recovery. In the beginning, little data is available, but maps, vertical sections and simple volumetric estimates can be produced and used as input to licence applications and swap and trade of licence shares. Figure 1 shows the type of map and vertical section often produced in a licence application.

When well data become available, well paths (for deviated wells), well logs, core data and depths for fluid and sidewall core samples are loaded into 3D models and the well's impact on volumetric estimates and production can be evaluated. Before reservoir modelling, many of the well data types are processed on a well by well basis. When the data from many wells come together in the 3D reservoir model, the significance of the individual wells is easier to interpret. Figure 3 illustrates how well data can be displayed together with the reservoir structure defined by seismic interpretation.

Using well data to describe an oil field has been compared to describing a town based on the information you get by illuminating the town with a few lamp posts. Most of the field is "in the dark", and we must interpolate and extrapolate the well observations to find where to drill production and injection wells and to estimate the volumes of oil and the production characteristics. Various statistical techniques are employed to predict reservoir properties throughout the reservoir. A dedicated branch of statistics called geostatistics has been developed for applications of this type in mining and petroleum industries. Figure 2 shows how a reservoir property, for example porosity, can be distributed to fill the reservoir volume with 3D grid cells containing an appropriate value.

During the early years of petroleum industry in Norway (and many other countries), the scientists' responsibilities were inherited from the academic tradition of the universities at the time. You could hear experts saying "I am a geologist, I am not making maps" or "I am a geophysicist, I am not making reservoir models". Although we still

need scientists with very specialized skills, a majority of exploration and production personnel are now geoscientists with a broad understanding of both geologic and geophysical topics. Reservoir modelling is an excellent interdisciplinary meeting place where different scientists contribute and tailor their products in order to answer the management questions in the best way.

Although interdisciplinary teamwork is now the norm rather than the exception, most geoscientists confine their area of responsibility to the development of a static model of the reservoir, while reservoir engineers are responsible for the dynamic reservoir model. The static model defines the shape and size of the reservoir, the faults that separate the reservoir compartments and the static reservoir properties such as net-to-gross ratio, porosity and water saturation. Permeability and fluid contacts and properties can also be part of the static model. The dynamic model can simulate the flow of water, oil and gas through the reservoir. Reservoir pressure for each cell in the 3D model is predicted as a function

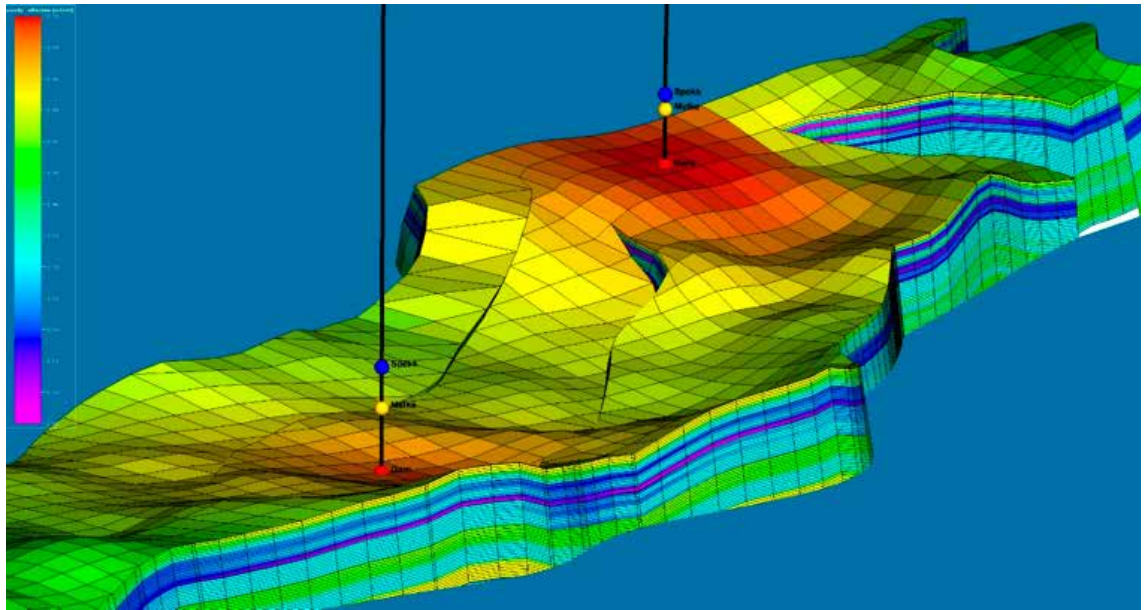


Figure 4: Model of an oil reservoir where the colour of 3D grid cells represents porosity or any other reservoir property of interest.

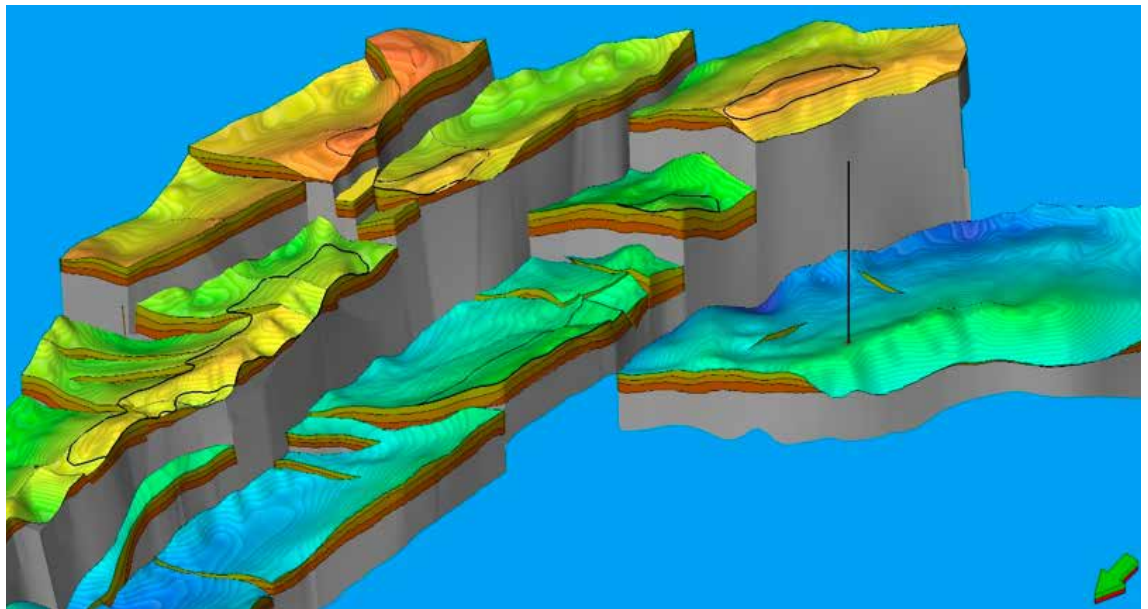


Figure 5: Complex 3D reservoir model showing reservoir compartments separated by numerous faults. Multiple oil and gas discoveries have been made in this area.

of time and the corresponding oil and gas rates are calculated for each well. These simulations are used to determine the best drainage strategy, e.g. vertical or horizontal production wells, pressure maintenance by water or gas injection, and the number and location of wells. From these calculations, production profiles and recoverable reserves can be estimated.

The dynamic model can also predict the response of the reservoir fluid to pressure change (oil, gas or condensate). Well design and the design and capacities of the production facilities (pipelines, valves, pumps and separators) are also determined on the basis of such simulations.

Both oil companies and petroleum authorities have a strong focus on Enhanced Oil Recovery (EOR). These are techniques aimed at getting as much oil as possible out of the fields. The acquisition of 3D seismic and the drilling of horizontal wells have been the two most successful techniques developed during the last 30 years, and these are now standard practice.

Other methods like advanced completion of production wells, injection of chemicals and the acquisition of repeated 3D seismic surveys (4D seismic) are employed to improve production. Reservoir modelling plays an important role throughout all EOR activities.

Exploration geoscientists normally confine their activities to relatively simple static reservoir models with only a few wells in or near a prospect or discovery. Figure 4 shows a comprehensive model of a fault zone with multiple prospects on rotated fault blocks. Volumes of oil and gas and the location of exploration wells can be determined on this basis.

Concedo uses reservoir modelling throughout the work processes from early evaluation of leads and prospects to building complex static models used as input to dynamic reservoir analysis of discoveries. It is a rewarding activity bringing several scientific and technical disciplines together and producing important answers for the management of the company.

A BIT OF EVERYTHING FROM LAST YEAR

Geological field trip

As a reference for the geological aspects of Concedo's exploration tasks, a company field trip is organized annually or bi-annually. In 2013 the fluvial terraces of the Garonne River and the Gironde estuary together with the Eocene and Oligocene substrate of the Bordeaux area was chosen. Jean-Pierre Tastet, "Professeur honoraire" and "Vice-président du Comité Aquitain de la Planète Terre" was our guide. He also gave a lecture on "The Aquitaine coastal dunes and the Pilat Dune: 4000 years of climatic record".



THEME: BORDEAUX

Geology and wine

On 6th November 2013 Concedo hosted in Asker the annual event "Geology and Wine" of the Norwegian Petroleum Society (NPF). The theme this year were the Bordeaux wines grown on soil with a very interesting geological history.

Concedo had brought one of the best experts in this field, Jean-Pierre Tastet (see above), to present the geological development of the fluvial terraces of the Bordeaux wine-districts and also to describe and demonstrate the effect of the type of soil on the character of the wine. As an example the sweet white wines of CHÂTEAU GRAND PEYROT (marly-clayey soil) and CHÂTEAU LA GRAVE (gravel rich sandy soil) were used. Each with 95% Sémillon and 5% Sauvignon grapes of the Sainte

Croix-du-Mont district, same process and the same producer.

Jan Tore Oskal, manager at the Wine Monopoly of Asker, gave a presentation on the history of the Bordeaux wines, the soils and their classification: the worldwide famous wines classified as Medoc and Sauternes (1855), Saint Émilion (1955) and Pessac-Leognan (1959).

Finally there was a tasting session and a meal with Bordeaux wine.

In addition to a social event, the evening also allows for networking between people involved in the oil industry. About 100 people participated in this very popular event, which NPF said was their most interesting "Geology and Wine" evening so far.

Responsible exploration

Minimizing risks is part of Concedo's business strategy. Each year in September a meeting is dedicated to such strategy discussions. Concedo will not participate in risky exploration wells that may turn out to be very expensive. This includes deep water and deep wells and environmental sensitive areas.

There are few extremely deep wells or deep water depths in the Barents Sea. Concedo is targeting wells below 4000 m depth, which covers about 80% of the wells drilled in the area. Average Water depth is 230 m. Wind in the winters is from southwest. Frequency of storms is low. Polar low is a pressure phenomenon caused by outbreaks of cold arctic air over the sea. During the passage of polar low wind speeds increases to storm force over 1-2 hours with changing direction. In general, very large oil spills will be considered to do harm to a sensitive environment in these waters, and would be a disaster for exploration for O&G in the Barents Sea and very costly to repair.

We take our responsibility to the environment very serious and as a licence partner we are proactive in well preparation and monitor drilling in real time.

Knowing and creating

Geir Lund

MANAGING DIRECTOR



Licence trading



The possibility of trading licence shares is important for all companies operating on the Norwegian continental shelf.

With Concedo's business model, it is particularly important that a licence, in which a discovery has been made, can be sold to another company before development. This enables Concedo to concentrate on exploration and avoid the risks, manning and financing costs that development involves. Normally, Concedo sells for payment in cash, but may also consider exchanging for a share in production.

So far Concedo has sold one licence with discoveries to Statoil and three licences with one discovery to Winter-shall for cash.

Prior to a sale, Concedo works hard on its own subsurface model, production scenarios and possible commercial solutions. In the event of sale, the interested companies will be invited to a data room. In the first place this may be a digital room to which the other companies have access via internet. This can be followed up by physical meetings in Concedo's offices. It is important that the data room is clearly arranged and that all relevant information is presented. The interpretations of both Concedo and the partnership will be given. Everyone invited into the data room will be required to sign a non-disclosure declaration.

After the data room process is completed there will be a time limit for tendering offers. Opening the tenders is almost as exciting as drilling an exploration well in a reservoir. The size of an offer can be affected by many factors, such as the estimated profitability of development, access to investment capital and strategic importance for the tenderer. Considering that there are now approximately 60 active companies on the Norwegian shelf, there are generally good possibilities of receiving acceptable offers for a good discovery. It will not be as easy to sell discoveries that have a marginal or uncertain value. In periods

with a fluctuating oil price it will often be difficult for buyer and seller to reach agreement and the entire market for buying and selling may dry up for some time.

There is also a market for trading licences before drilling exploration wells. Concedo tries to join licences that we have worked on ourselves, that we believe in and where we think that we can make an active contribution to further work. After evaluation in the data room, we may decide on a licence deal. Concedo can obtain shares in new licences in three different ways:

- 1) Carrying well costs
- 2) A cash payment
- 3) Swapping licence interests

Swapping licence interests can be a good means for two companies wishing to optimize their licence portfolios. Both companies will then be looking for win-win solutions. However, it will sometimes be better to employ one of the first two methods. So far Concedo has completed eight licence deals in the exploration phase.

For all licence trading it is important to understand the interests and motivation of the other companies and to have established mutual trust. The central parties in licence trading for the different companies normally meet once or twice a year and are frequently in contact while a deal is being made.

After an agreement has been concluded between companies, it will be sent to the authorities for approval. The new company in the licence must also be approved by the partnership. The whole process, from the time the agreement is signed to the time it is implemented, is normally between three and six months. When the deal is completed, changes in the partnership will be recorded in the Petroleum Register.

Licence portfolio

Barents Sea

PL 607
PL 531
PL 393 B



PL 768
PL 769

PL 607

Concedo interest: 20%
(farmed out 20% in 2013)
Operator: GdF Suez E&P Norge AS
Granted: 21st Concession round

PL 531

Concedo interest: 20%
Operator: Repsol Exploration Norge AS
Granted: 20th Concession round

PL 393 B

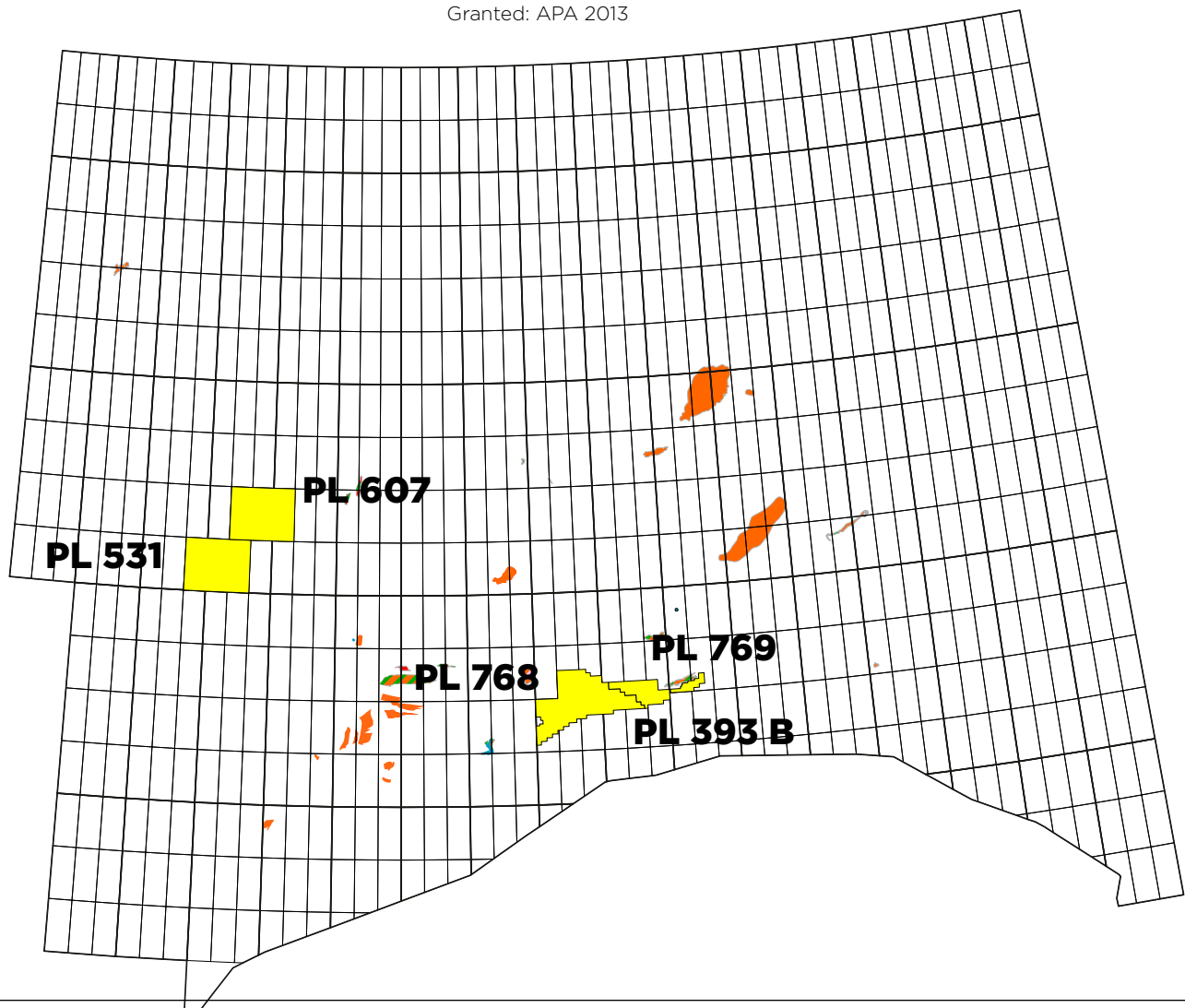
Concedo interest: 20%
(farmed in 2013)
Operator: Statoil Petroleum AS
Granted: Additionally to 19th
Concession round

PL 768

Concedo interest: 25%
Operator: Wintershall Norge AS
Granted: APA 2013

PL 769

Concedo interest: 20%
Operator: OMV (Norge) AS
Granted: APA 2013

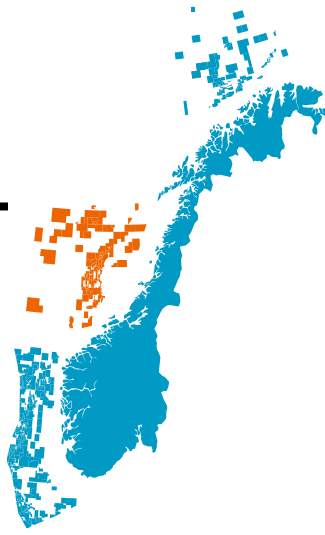


Licence portfolio

Norwegian Sea

PL 645

PL 759

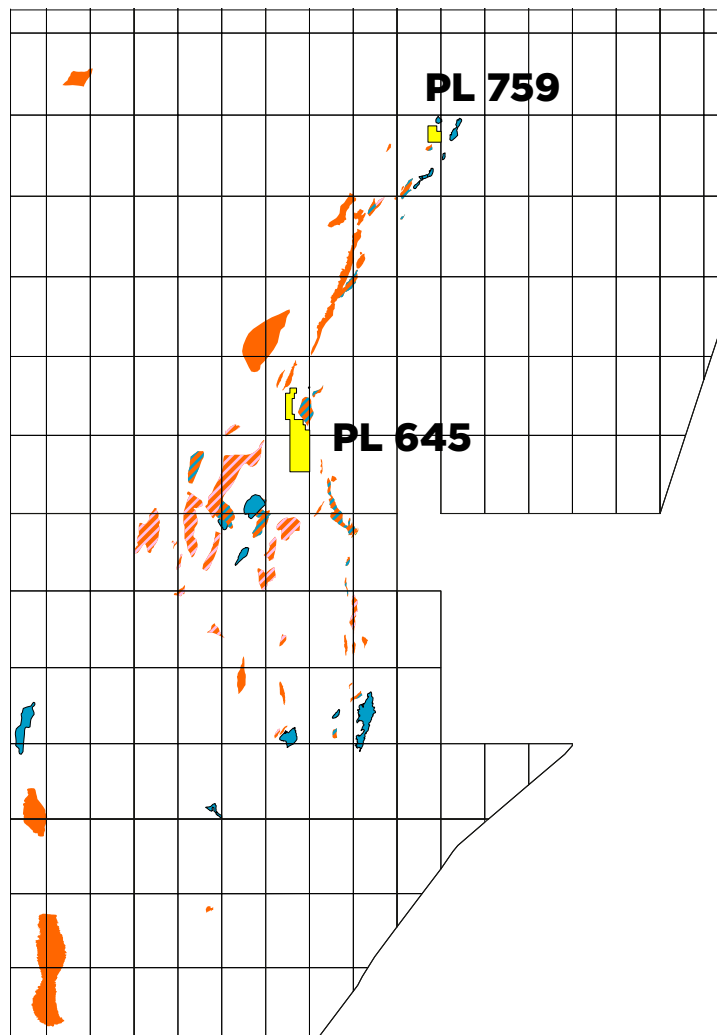


PL 645

Concedo interest: 10% (farmed in 2013)
 Operator: Faroe Petroleum AS
 Granted: APA 2011

PL 759

Concedo interest: 30%
 Operator: Edison International
 Granted: APA 2013



Licence portfolio

Northern North Sea

PL 746 S

PL 629

PL 737 S

**PL 746 S**

Concedo interest: 30%

Operator: Rocksource Exploration AS

Granted: APA 2013

PL 737 S

Concedo interest: 30%

Operator: Dana Petroleum Norway AS

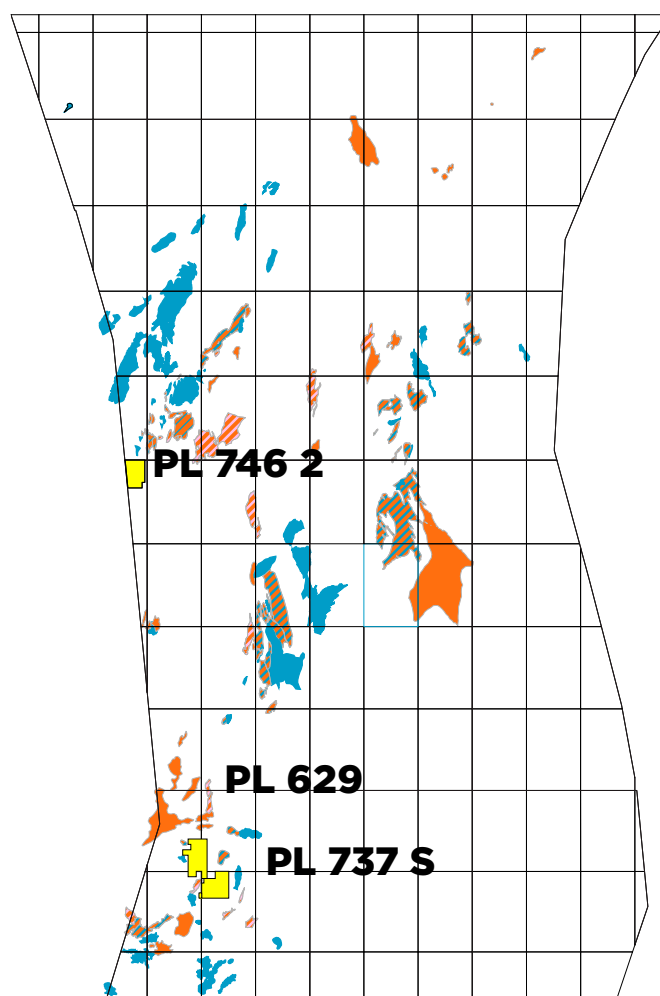
Granted: APA 2013

PL 629

Concedo interest: 20%

Operator: Bridge Energy Norge AS

Granted: APA 2011



Licence portfolio

Southern North Sea



PL 670
 PL 670 B
 PL 727

PL 616
 PL 541

PL 670

Concedo interest: 20%
 Operator: Tullow Oil Norge AS
 Granted: APA 2012

PL 727

Concedo interest: 30%
 Operator: Edison International
 Granted: APA 2013

PL 541

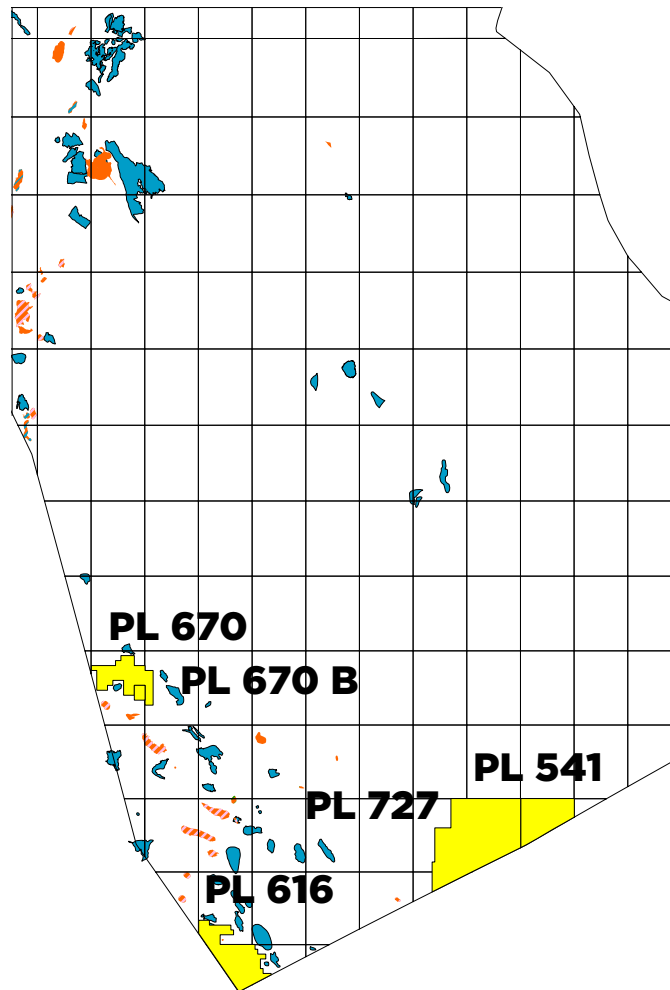
Concedo interest: 7.5 % (farmed in 2013)
 Operator: Repsol Exploration Norge AS
 Granted: APA 2009

PL 670B

Concedo interest: 20%
 Operator: Tullow Oil Norge AS
 Granted: Additional APA 2013

PL 616

Concedo interest: 20%
 Operator: Edison International
 Granted: APA 2011



Director's report 2013

General

Concedo is a privately owned public limited liability company focusing on exploration on the Norwegian Continental Shelf. It has been an active year in the company in terms of drilling exploration wells, applying for new licences, and recruiting additional expertise.

After the award of the concession round APA (Awards in Predefined Areas) 2013, Concedo holds all together sixteen exploration licences, nine in North Sea, two in mid Norway and five in the Barents Sea. This portfolio gives strong position in pursuing future exploration prospects. The company is financially healthy and well positioned to pursue these exploration opportunities.

Objectives and strategy

Concedo's main objective is to be one of the best exploration teams on the Norwegian Continental Shelf (NCS). This means to capitalising on the staff's excellent knowledge of leads and un-mapped resources on the NCS, working in those areas most aligned with the strengths of the technical team and creating value by selling discoveries prior to development. The company will then avoid capital-intensive investments in development projects, which takes several years to give positive return.

Highlights 2013

The previous years' exploration successes have allowed Concedo to have a high activity level in 2013. Sales of discoveries such as Hyme in 2010 and Maria in 2011 proved the business model to be strong.

Drilling In March 2013, Concedo participated in its first well in Barents Sea, in licence PL 531 with Repsol

Exploration as operator. The Darwin well (7218/11-1) was drilled by the Trancocean Barents. The licence is located west of the large Johan Castberg discoveries operated by Statoil. The objectives were to prove hydrocarbons in the Paleocene and Upper Cretaceous reservoirs. Gas shows were recorded during drilling of the Paleocene interval. No hydrocarbons were found in the Cretaceous interval. The well was declared dry. The evaluation of remaining prospectivity in the licence is ongoing and the licence has applied for an extension of part of the acreage.

A second well spudded later in the year was in the licence PL 541 located in the southern North Sea, close to the Danish border, also with Repsol as Operator. The objective here was to prove petroleum in Upper Paleocene reservoir rocks (the Lista formation). The well encountered the Lista formation. Data acquisition and sampling were carried out which showed that the reservoir rock was water bearing. The well was classified as dry.

In December, the third well of the year was spudded at the Novus prospect in licence PL 645 with Faroe Petroleum as operator. The exploration well 6507/10-2S was targeting the Jurassic reservoirs of the Garn, Ile, and Tilje formations on the Novus prospect. Strong AVO (amplitude versus offset) and 3D seismic amplitude anomalies at the target level were observed and analogous to discoveries in nearby fields. In January 2014, the main well bore targeting the Novus West prospect encountered a 12 meter net gas column and a 12.5 meter net oil column in a high quality and thicker than expected Garn formation. The Ile and Tilje formations were encountered in line with expectations but were found to

be water wet. Extensive data gathering has been undertaken, including pressure and fluid samples from the main reservoir zones, and the preliminary volumetric estimate of the size of the discovery is between 6 and 15 mmmboe recoverable gross. The well result will be used to refine the geological model and de-risk additional prospects and leads on the licence for potential future drilling.

Licence rounds

In the APA 2013 application round, Concedo made its most comprehensive submission ever. The result of our efforts was certainly encouraging as the reward was substantial; Concedo got partnerships in seven new licences. Our extensive application area in the Barents Sea, covering parts of twelve blocks, was split in two licences by the authorities; PL 768 and PL 769.

Concedo got high shares in all the licences, 30% share in four licences, 25% in one licence and a 20% share (of which one was an extension of PL 670) in two licences. The seven licences are operated by six different oil companies.

The Concedo organisation is excited about the new areas and promising prospects, all with unique challenges. Below is a short summary of the licences awarded:

PL 670 B – an extension of licence 670 in the North Sea including a southern extension of the prospect Betula. It has the same work programme as the “mother licence.”

PL 727 – in the Southern North Sea including blocks/part of blocks 3/3, 4/1, 2 and 3. Edison is the Operator.

PL 737 S – in the North Sea including part of blocks 25/4 and 25/5. Two paleocene prospects have been mapped. This is a stratigraphic licence including levels above Top Cretaceous. Dana is the Operator.

PL 746 S – in the northern North Sea including part of block 29/3. The main prospect is within Jurassic sequences, upflank from an earlier discovery well. Rocksource is the Operator.

PL 756 – in Mid Norway including part of block 6608/10. The prospect is a Jurassic structure. Edison is the Operator.

PL 768 – located in the south-eastern open part of the Barents Sea. It includes part of blocks 7123/5, 6, 7, 8, 9 and 7124/4 and 7. The main prospect is within the Paleozoic. Wintershall is the Operator.

PL 769 – is bordering PL 768 to the east including parts of blocks 7123/5,6,7,8,9 and 7124/4 and 7. The main prospect is within the Triassic sequence updip from the Nucula discovery. OMV is the Operator.

Concedo was not awarded licences in 22nd Concession round, however, Concedo has started to prepare for next 23rd round. The nomination deadline was in January 2014 and the nomination map was published soon afterwards. A hearing process will be undertaken by the Authorities in 2014. The application deadline will be in 2015.

Other licence activities in 2013

PL 541 (7,5%): Evaluation after the Brattholmen well.

PL 645 (10%): Evaluation after the Novus well.

PL 393B (20%): Spud on the Ensis prospect is planned for September 2014.

PL 607 (20%): Spud of the well on the Byrkje prospect is scheduled to the first half of March 2014.

PL 531 (20%): Evaluation of remaining prospectivity in the licence after the Darwin well.

PL 616 (southern North Sea): Several prospects are under evaluation. A drill or drop decision will be made in 2014.

PL 629 (central North Sea): Prospect evaluation is ongoing.

PL 670: Interpretation and re-processing of seismic is ongoing.

PL 680: The partnership has concluded that the licence will be relinquished.

The licences PL 370, PL 576 and PL 561 were relinquished in 2013

On the financial side, in 2013, the company renegotiated the exploration Finance Facility with DNB to NOK 350 mill, to meet the level of working capital needed for the exploration program for the next three years.

Business office

Concedo has modern offices in Asker outside Oslo.

History

Concedo became an oil company, pre-qualified as a licensee on the Norwegian Continental Shelf in 2007. From the beginning of 2007 the company had a regular staff of eight employees and ever since has had a core staff with sound experience and competence. The

number of staff was increased to ten from 2009 and to thirteen in 2013, in pace with the scope of our assignments and the number of licences in our portfolio. The company made its first discovery (gas) in 2008, the Galtvort prospect in licence PL 348 and in 2009 oil was found in the Gygrid prospect in the same licence. Concedo's interest in this licence was sold to Statoil in 2010. In the course of 2010, Maria was proven oil-bearing. The discovery is located just south of the Åsgard field. In 2011 the interest in the Maria prospect was sold to the operator, Wintershall. The Novus discovery was made in the beginning of 2014.

Research and Development

Concedo is a member of FORCE (Forum for Reservoir Characterisation, Reservoir Engineering and Exploration). FORCE is organised by Norwegian Petroleum Directorate to stimulate industrial cooperation to improve exploration processes and to enhance recovery of resources on the Norwegian shelf. Concedo is contributing actively with members in three different committees, the technical committee, the sedimentology committee and the structural geology group.

From 2008 Concedo has been engaged in a development programme for the seismic tool GIM and has used this technology in the latest licensing rounds and in several of the company's exploration areas. The development of GIM is now completed and we expect that many companies will see the benefits of this tool.

In 2010 Concedo entered into the first contract with PetroMarker AS for using a new electromagnetic technology.

Since then Concedo has gained significant experience with this method. The company has contributed to the further development of the technology and is a member of a consortium supporting 2D inversion software.

Concedo has also been an active participant in the Norwegian oil and gas committee for licensing policies and the Norwegian Oil and Gas Scout Group.

Health, Safety and the Environment

The company's aim is that all activities shall be carried out without injury to human beings or the environment. Safeguarding people, the environment and economic assets is an integral part of our management system and daily operations. There were no injuries or accidents in 2013. Nor were there any spills from licences in which Concedo holds interests.

As a licensee on the Norwegian shelf, Concedo bears responsibility for and makes conscious choices designed to minimise risk for itself and its partners. Concedo actively supports the operator through its expertise and experience in preventing undesirable incidents while participating in drilling operations. In connection with the planned drilling operations on the Darwin and Brattholmen prospects Concedo was actively involved in risk assessment and audit meetings.

The working environment is considered good and there is a continuous effort to improve it further. In 2013, the employees participated in health and environment activities to prevent injuries.

Sick leaves were recorded to be 1.52 % in 2013.

An HSE audit of the control system and compliance with it was carried out at the December 2012. Concedo was assisted in this by AGR, which concluded that Concedo maintained operations in line with the descriptions in the Business Management Manual and the underlying procedures. Concedo is a company that works to maintain an agile organisation with low bureaucracy and a creative and good working environment. Concedo is

pro-active in licences and focuses continually on risk and safety.

Gender equality

By the end of 2013 there were thirteen employees, three women and ten men. The Board of Directors consists of five directors, two women and three men. The composition of the Board of Directors satisfies the gender equality requirements in the Act relating to public limited companies. Concedo emphasises equality between the sexes and the equal treatment of all employees.

Corporate Social Responsibility (CSR)

Concedo integrates and incorporates its Corporate Social Responsibility through the daily work routines and by use of its management system.

We seek to minimize negative effects caused by our activities. It is an integral part of our business to ensure respect for human rights, take responsibility as an employer, minimize our effect on the environment, fight corruption, and enhance a transparent corporate culture towards all our stakeholders. We consider this necessary and a natural part of the way we carry out our business operations.

To generate and sustain support from shareholders as well as stakeholders we must at all times:

- Continuously improve our business practices in compliance with the Norwegian Authorities requirements and expectations
- Maintain open and reflective dialogue with stakeholders
- Make decisions based on how they affect our interests and the interests of society.
- Identify any gaps between our goals and the actual performance, and seek to amend them

The Board of Directors are focused on strengthening the Corporate Responsibility (CR) policies and performance, taking account of both internal and external feedback.

Aligned with our CSR Vision, the policy seeks to develop and maintain simple and transparent systems that enable us to implement and meet internal and external sustainability expectations

on an operational level. Our key areas that constitute the Company's CSR platform as part of the business strategy:

- Improve and develop HSE issues
- Have a zero-emission tolerance related to the harm of the environment
- Support and respect the protection of human rights in all operations
- Comply with Norwegian legislation
- Have a zero-tolerance against both the giving and receiving of bribes or other ways of corruption, including extortion
- Have a zero-tolerance towards discrimination

Our management system and routines cover the issues described above related to our CSR policy. The company does not have an individual CSR manual.

Corporate Governance

The company's management system for owner control and management that are in accordance with Norwegian recommendations. Concedo aspires, where relevant, to comply with of the Norwegian Code of Practice (NUES) regarding Corporate Governance.

The Board of Directors held 11 meetings in 2013. Key strategic and operational issues that were covered:

- Close monitoring of operational and financial performance, including Quality, Health, Safety and Environment. Lessons learned discussions after completion of important activities such as drilling of wells and awards in concession rounds.
- Strategic balancing of portfolio of exploration licences and assessment of licence applications in APA 2013 and 22nd licensing rounds
- Assessment of investment opportunities
- Supervision of risk management processes and internal control reporting
- Self-assessment of the Board's work performance.

Salaries for management and employees

The Board of Concedo ASA has prepared guidelines for determining salaries and other remuneration for the company's management and employees, in accordance with section 6-16a of the Act relating to public limited companies.

Financial Performance 2013

Financial statements are prepared in accordance with the law on public limited liability companies, the Norwegian Accounting Act and generally accepted accounting principles in Norway. To the best of the Directors' knowledge, there are no circumstances of significance for judging the company's position as of 31.12.2013 or the result for 2013 that are not set forth in the annual report and financial statements.

The Directors consider that the annual accounts give a true presentation of Concedo's financial position as of 31.12.2013 and of the result and cash flows during the fiscal year.

Revenues and profits

In 2013 the company had no revenues from sales. The operating result was minus NOK 329 mill. The year's loss after tax was NOK 76 mill. The company continued investments in exploration activities for a sum totalling NOK 326 mill. The company claims reimbursement of the tax value of the exploration cost of NOK 253 mill. Exploration activities consist of the company's operating expenses, licence costs, seismic surveys and exploration wells. Costs linked with preparation of exploration wells are recognised in the balance sheet. Three none commercial wells were drilled during 2013/2014 and the cost was expensed. Exploration expenses connected to the preparation of wells in the licences PL 393B and PL 607 drilled in 2014 have been capitalised with 17 mill.

Balance sheet and liquidity

At year-end 2013, the company had equity amounting to NOK 290 mill,

which corresponds to an equity ratio of 48 %. At year-end, it had interest-bearing debt amounting to NOK 252 mill, secured by the reimbursement scheme for exploration costs. It is expected that the tax-related reimbursement resulting from exploration activities in 2013, will be NOK 253 mill. The company has a loan facility for NOK 350 mill with DNB, i.e. NOK 253 mill utilised.

Cash flow

Net cash flow in 2013 was NOK -128 mill from operational activities. This included tax refund of NOK 136 mill. Net cash flow from finance activities was NOK -96 mill.

Distribution of profit

No dividend was distributed in 2013. Risk related to operations, financial risks and market risks.

Our strategy is to obtain revenues through sale of interests in discoveries. Central risks and elements of uncertainty in our operations are linked with the results of exploratory operations and the possibility of achieving earnings from them.

The company is exposed to market risks connected with fluctuations in oil prices and the dollar rate. The company has interest-bearing debts and is exposed to changes in interest levels. At present Concedo does not have any contracts for hedging market risks.

Credit risks

The company has few receivables. The risk of debtors and our collaborating partners not being able to fulfil their obligations to Concedo is low.

Liquidity risks

The company has cash reserves and a loan facility that give financial flexibility. The Directors consider the liquidity to be good.

Going concern

In compliance with section 3-3a of the Accountancy Act, we confirm that the requirements for a going concern are satisfied.

Future prospects

Two wells are planned for drilling in 2014, the Byrkje prospect in PL 607 and the Ensis prospect in PL 393B. The discovery in PL 645 (Novus West) in January 2014 may also give a basis for further drilling activity within that licence.

Concedo considers it likely that a drilling decision will be made on PL 616 within 2014. This could lead to drilling in 2015 or 2016.

Seven new licences were awarded to Concedo in APA 2013 on 19th February 2014. The new licences were obtained at low cost and with satisfactory work programmes. This will lead to new opportunities in the years to come.

The company is well under way with work on APA 2014 and preparations for the 23rd licencing round.

The Norwegian continental shelf is one of the most prospective regions in the world, and Concedo is well positioned to contribute to future discoveries.

Asker, 6th March 2014



Olav Fjell
Chairman of the Board



Erik Klausen
Director



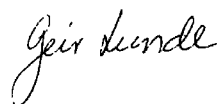
Karen Sund
Director



Hege Wullum
Director



Nirav Dagli
Director



Geir Lunde
CEO

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Annual statements 2013

Concedo ASA

Profit and loss statement 2013



Figures are given in the Norwegian currency NOK	Note	2013	2012
Depreciation on fixed and intangible assets	3	-467 867	-441 572
Exploration expenses	2,9,13	-328 876 470	-162 154 282
Total operating expenses		-329 344 336	-162 595 854
Operating profit/loss		-329 344 336	-162 595 854
Other interest received		9 500 740	13 983 849
Other financial income		1 778 720	606 956
Total financial income		11 279 461	14 590 805
Other interest paid		-11 982 495	-6 352 326
Other financial expenses		-2 272 881	-1 485 244
Total financial expenses		-14 255 377	-7 837 570
Net financial items		-2 975 916	6 753 235
Pre-tax profit/loss on ordinary activities		-332 320 252	-155 842 619
Tax cost on profit on ordinary activities	6	256 490 373	123 431 710
Ordinary profit/ (loss)		-75 829 880	-32 410 909
Income/loss for the year		-75 829 880	-32 410 909
Allocations			
Other reserves	5	-75 829 880	-32 410 909
Total		-75 829 880	-32 410 909

Concedo ASA

Balance Sheet as of 31 December 2013

Figures are given in the Norwegian currency NOK

ASSETS	Note	2013	2012
Fixed assets			
Intangible assets			
Deferred tax assets			
Capitalised exploration expenses and licence costs	3	20 414 948	23 512 224
Total intangible assets		20 414 948	23 512 224
Tangible fixed assets			
Operating equipment, FF&E etc.	3	165 521	445 190
Total tangible fixed assets		165 521	445 190
Total fixed assets		20 580 469	23 957 414
Current assets			
Receivables			
Other receivables	8	255 193 352	139 584 936
Total receivables		255 193 352	139 584 936
Bank deposits, cash-in-hand etc.	7	326 452 033	369 050 625
Total bank deposits, cash-in-hand etc.		326 452 033	369 050 625
Total current assets		581 645 385	508 635 561
Total assets		602 225 854	532 592 975

Concedo ASA

Balance Sheet as of 31 December 2013

Figures are given in the Norwegian currency NOK

SHAREHOLDERS' EQUITY AND LIABILITIES	Note	2013	2012
EQUITY			
Called up and fully paid share capital			
Share capital	4,5	2 380 412	2 269 818
Treasury shares		-108 725	0
Share premium	5	1 410 458	1 410 458
Other capital paid in	2,5	0	6 267 542
Total called up and fully paid share capital		3 682 145	9 947 818
Retained earnings			
Other reserves	5	285 820 721	376 616 858
Total retained earnings		285 820 721	376 616 858
Total Equity		289 502 866	386 564 676
LIABILITIES			
Provisions for liabilities and charges			
Deferred tax	6	36 373	3 941 386
Total provisions for liabilities and charges		36 373	3 941 386
Total long-term liabilities		36 373	3 941 386
Current liabilities			
Owed to credit institutions	10,12	251 635 267	133 000 000
Trade creditors		874 426	1 266 880
Unpaid government charges etc.		1 547 866	1 384 704
Other current liabilities	11	58 629 057	6 435 328
Total current liabilities		312 686 615	142 086 913
Total liabilities		312 722 988	146 028 299
Total Equity and Liabilities		602 225 854	532 592 975

Asker, 6th March 2014


Olav Fjell
Chairman of the Board


Erik Klausen
Director


Karen Sund
Director


Hege Wullum
Director


Nirav Dagli
Director


Geir Lunde
CEO

Concedo ASA

Cash Flow Statement

OPERATING ACTIVITIES	Note	2013	2012
Pre-tax result		-332 320 252	-155 842 619
Adjustments for reconciling current year's result with cash flow from operating activities:			
Gain from sale of licence interests			0
Depreciation, amortisation and write-downs	3	467 867	441 572
Capitalised exploration costs expensed		13 223 554	1 931 286
Other items having no cash effect – subscription rights		1 727 600	2 149 352
Tax reimbursement received in period	6	136 160 645	120 229 627
Change in working capital (except for cash and cash equivalents):			
(Increase) reduction in trade debtors and other receivables		816 299	2 448 854
Increase (reduction) in trade creditors and other current debts		51 964 435	1 238 119
Cash flow from operating activities		-127 959 852	-27 403 810
INVESTMENT ACTIVITIES			
Investments in fixed assets	3	-188 198	0
Capitalised exploration expenses	3	-16 724 689	-20 505 839
Sale of assets		6 598 411	0
Cash flow spent on investment activities		-10 314 476	-20 505 839
FINANCING ACTIVITIES			
Share issue	5	110 594	1 511 205
Dividends and repayment of paid-in capital	5	-	-186 112 666
Purchase of treasury shares	5	-23 070 124	
New interest-bearing long-term debt	10	127 000 000	23 500 000
Repayments long-term debt	10	-8 364 733	-27 881 631
Cash flow spent on financing activities		95 675 737	-188 983 092
Net increase (reduction) in cash and cash equivalents		-42 598 592	-236 892 740
Cash and cash equivalents at beginning of year		369 050 625	605 943 365
Cash and cash equivalents at end of year		326 452 033	369 050 625

Note 1

Accounting Principles

The financial statements have been prepared in accordance with the Norwegian Accounting Act of 1998 and generally accepted accounting principles in Norway.

Main principles for valuing and classifying assets and liabilities

Assets intended for permanent ownership or use are classified as fixed assets. Other assets are classified as current assets.

Receivables due within one year are classified as current assets. Classification of current and long-term liabilities is based on the same criteria.

Fixed assets are carried at historical cost net of accumulated depreciation. Fixed assets that have a limited economic life are depreciated according to a reasonable schedule. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Current assets are valued at the lower of historical cost and fair value. Other long-term and current liabilities are valued at their nominal value.

Interests in oil and gas licences

Ownership in oil and gas licences are recognised by including Concedo's share of assets, liabilities, income and expense in the licence on a line by line basis (gross method).

Accounting for oil and gas operations

The company follows the "successful efforts" method of accounting for exploration and development costs in oil and gas operations. Costs for acquiring mineral interests in oil and gas areas and for drilling and fitting out exploration wells, are capitalised pending determinations of whether recoverable reserves have been found. Costs for drilling exploration wells where no recoverable reserves are found, geological and geophysical costs and other exploration costs, are expensed.

Exploration wells that have shown reserves, but where classification as proven reserves depends on whether substantial investments are justified,

may remain capitalised for more than one year. Capitalised exploration wells and acquisition costs are reviewed continuously for impairment.

Receivables

Trade receivables and other receivables are entered at their nominal value less provision for expected loss.

Bank deposits, cash in hand, etc.

Bank deposits, cash in hand and cash equivalents include cash in hand, bank deposits and other means of payment having maturity of less than three months from the date of purchase.

Revenue

Revenue is recognised when it is earned, i.e. when both the risk and control have been transferred to the customer.

Expenses

Expenses are generally entered in the same period as the corresponding income. Other exceptions from the matching principle are explained where they occur.

Leasing agreements

Significant lease contracts that are classified as financial leases are recognised as assets and depreciated using the straight-line method based on the estimated useful life. Operational leases are expensed as incurred.

Pensions

The company is required to maintain an occupational pension scheme in accordance with the Norwegian Act relating to mandatory pensions ("Lov om obligatorisk tjenestepensjon"). The company's pension scheme satisfies the requirements in that Act.

Contribution plans are accrued according to the matching principle. The year's contribution to the pension scheme is expensed.

Share-based remuneration

The company has a remuneration plan based on payment in shares. The fair value of the services the company has received from the employees in return for the awarded subscription rights is

entered as an expense. The total sum expensed over the earning period is calculated on the fair value of the subscription rights awarded.

At each balance sheet date the company re-estimates the number of subscription rights likely to be exercised. The company enters the effect of any change in the original estimates in the P/L account with a corresponding adjustment of equity capital. After deduction of attributable transaction costs, payments received when rights are exercised are credited to share capital (nominal value) and the share premium account when subscription rights are exercised.

Taxes

Tax expenses are matched with book income before tax. Tax expenses consist of payable tax (tax on the year's direct taxable income), change in net deferred tax and anticipated reimbursements related to exploration costs. Deferred tax and deferred tax benefits in the same tax regime are presented net in the balance sheet.

Deferred tax benefit is recognised in the balance sheet provided that the future use is rendered probable.

Cash flow analysis

The cash flow analysis is prepared using the indirect method.

Note 2

Payroll costs, number of employees, benefits etc.

Company payments to and pension costs for employees are presented in the following table:

Payroll costs	2013	2012
Employers payroll tax *	14 464 255	13 420 715
Pension costs	1 732 887	3 908 706
Share-based remuneration	903 916	772 606
Other benefits	1 727 600	2 149 352
Other benefits	170 880	217 648
Total	18 999 538	20 469 027
Number of man-years employed during the financial year	13	11

*) Employers payroll tax comprises of tax on payroll and exchange of subscription rights as part of the incentive scheme.

Concedo ASA has adopted a contribution-based pension scheme which has an individual choice of investment. The scheme covers a total of 13 employees

Remuneration paid to directors and management	Salary	Pension-costs	Other remuneration
Geir Lunde (CEO)	1 443 958	84 017	2 853 332
Olav Fjell (Chairman of the Board)			150 000
Erik Klausen (Director and HSE manager)	1 383 479	78 515	2 720 064
Hege Wullum (Director)			100 000
Karen Sund (Director)			100 000
Nirav Dagi (Director)			70 000
Ben Stanway (Director)			30 000

The CEO has a severance pay contract under which he, if he leaves at the company's request, is entitled to salary for 6 months after his period of notice expires. For subscription rights awarded to the CEO and directors in connection with the incentive scheme, see Note 4. Consultant services of NOK 187 497 excl. VAT were purchased from Fjellvit AS, a company owned by the Chairman of the Board.

Share-based remuneration

With the approval of the AGM the Directors of Concedo have awarded the employees 861 363 subscription rights as of 1 January 2013. During 2013 the amount of 533 333 subscription rights were exchanged into shares. On 17 December 2013 the Directors decided to distribute 19 778 subscription rights in accordance with the guidelines for remuneration of senior management.

The fair value of the subscription rights awarded, calculated according to Black & Schole's option pricing model, was NOK 9 059 515. NOK 1 727 600 was expensed in 2013, such that the provisions at the end of the year 2013 is NOK 7 955 142. The calculation is based on a risk-free interest (Government bonds with 3-5 years maturity), and expected exercise of subscription rights after 48 months. The standard deviation from the expected yield is estimated at 50 %.

Number of subscription rights	2013	2012
Outstanding as of 1 January	861 363	932 703
Awarded during year	19 778	29 407
Forfeited during year	0	0
Exercised during year	-533 333	-100 747
Expired during year	0	0
Outstanding as of 31 December	347 808	861 363

Average gross exercise price is NOK 372 per share. According the prevailing conditions related to the subscription rights the exercise price is adjusted for distribution of dividends.

Board of Director's statement regarding remuneration of senior management in Concedo ASA

In accordance with section 6-16a of the Norwegian Public Companies Act, the Directors of Concedo ASA have drawn up guidelines for determining the salaries and remuneration for senior management and employees in the company. These guidelines cover the basic pay for officers and employees, remuneration in the form of subscription rights in the company and a bonus programme that may be used in exceptional cases.

These guidelines are binding for the Board in so far as concerns schemes involving allocation of shares, subscription rights and other forms of remuneration that are linked with shares or developments in the price of the company's shares. Otherwise the guidelines are intended as guidance to the Board. If in any contract the Board departs from these guidelines, the reason for doing so shall be recorded in the Board Meeting minutes.

The Norwegian Code of Practice for Corporate Governance provides that a company's guidelines for remunerating senior staff should each year be submitted to the General Meeting for its information. Pursuant to this Code of Practice, the framework for allocating options and shares to employees should be subject to prior approval by the General Meeting. Therefore the company presents these guidelines and the

proposed incentive programme to the annual general meeting of Concedo ASA. The guidelines provide that remuneration in Concedo ASA shall consist of a fixed basic pay plus a variable consisting of an incentive programme and a bonus scheme, respectively.

The guidelines and compliance in 2013:

The Board established guidelines for 2013 for Managing Director, other senior executives and the Board members. The guidelines were processed at the company's annual general meeting in 2013 and described in the Concedo Annual Report 2012.

Managing Director and other Senior Executives

For the year 2013 subscription rights were allocated for the value equivalent to 12.5 % of the achievable target were allocated by the company in accordance with the guidelines. Each subscription right carries the right to purchase one share in the company at a price corresponding to an estimated market price of NOK 42.00 per share evaluated by an independent expert. In accordance with the guidelines, company employees thus have an opportunity to subscribe shares as follows:

Name	Price/share (NOK)	Subscription rights
Geir Lunde	42	1 702
Erik Klausen	42	1 629
Morten Hedemark	42	1 629
Ole H Fjelltun	42	1 629
Odd E Baglo	42	1 629
Elisabet Malmquist	42	1 466
Enric Leon	42	952
Dirk van der Wel	42	978
Anders Finstad	42	1 387
Juergen Sclaf	42	1 429
Ane M Skaug Rasmussen	42	1 190
Hilde Alnæs	42	1 190
Tommi Rafael Rautakorpi	42	1 629
Total	42	18 439

The incentives to the members of the Board, as described below, follow the guidelines drawn up for the company's employees.

Directors of the Board

For the year 2013 subscription rights for the equivalent of 12.5 % of the achievable target "were allocated in accordance with

the guidelines". Every subscription right gives the right to issue one share in the company at a price corresponding to an estimated market price of NOK 42,00 per share. The members of the Board of the company thus have an opportunity to subscribe shares according to the guidelines:

Name	Price/share (NOK)	Subscription rights
Olav Fjell	42	446
Erik Klausen	42	0
Karen Sund	42	298
Hege Wullum	42	298
Nirav Dagli	42	298
Total	42	1 339

19 778 subscription rights were allocated in 2013 that can be exercised after 3 years and before 5 years, pursuant to Board Resolution of 17 December 2013 on the basis of the approved guidelines for 2013 and detailed conditions to be decided in the General Meeting 2014.

Guidelines for 2014:

At the annual general meeting in 2014 the Directors will present the following statement regarding pay for the CEO, other senior staff and the Directors in 2014:

(i) Basic pay:

Pursuant to the guidelines, basic pay shall be determined by the CEO based on what is considered to be good, competitive normal pay in the market. The CEO's salary shall be determined by the Directors. Directors' fees shall be determined by the AGM.

(ii) Incentive programme:

In addition to the fixed basic pay, the Directors propose that the present incentive programme with subscription rights in the company, be continued. The incentive programme shall normally be allocated each year and the subscription rights allocated by the Directors, based on recommendations from the CEO within the framework of the resolution adopted by the general meeting. Subscription rights under this scheme shall be allocated according to specifically designated targets achieved by the company, and shall normally be issued to all employees. Pursuant to the Directors' guidelines, the number of subscription rights shall be calculated by dividing a percentage - maximum 40% - of the annual pay earned by the employee during the year, by the market price of the shares.

The maximum number of subscription rights for each employee will therefore be equivalent in value to up to 40% of the employee's earnings during the year, divided by the market price of the shares. The market price of the shares will be determined by an arm's length public accountant or other arm's length person having expert knowledge of the matter. Subscription rights can at

the earliest be exercised at IPO or if the company is sold. Otherwise the subscription rights may be exercised at any time whatsoever in the period between 3 and 5 years after the allocation date. It is a condition for exercise of subscription rights, however, that the person concerned is still an employee of the company or a pensioner.

For Directors who are not employed by the company, the number of subscription rights shall, pursuant to the Board guidelines, be calculated by dividing a part - maximum 100% - of the annual fee by the market price of the shares. The maximum number of subscription rights for each Director will therefore be equivalent in value to up to 100% of that Director's fee during the year, divided by the market price of the shares. The market price of the shares will be determined by an arm's length public accountant or other arm's length person having expert knowledge of the matter. Subscription rights can at the earliest be exercised at IPO or in the event of sale of the company. Subscription rights can otherwise be exercised at any time between 3 and 5 years from the allocation. Exercise of subscription rights is not dependent on whether he or she is the member of the Board of the company or not.

Nothing is paid for the subscription rights issued. Each of these subscription rights entitles the person to subscribe for one share in the company at a price corresponding to the average market price of the shares at the end of the year for which the incentive decision applies, as the price of the shares is determined by an arm's length public accountant or other arm's length person having expert knowledge of the matter.

The new shares issued when subscription rights are exercised, carry a right to dividend from the date of issue, i.e. a right to dividend, if any, for the financial year prior to the year of issue.

(iii) Bonus scheme:

The other variable element proposed by the Directors, is a bonus scheme. It is the intention that the bonus scheme shall be reserved for situations where it is highly probable that the employee(s) efforts have contributed towards creating extremely high added value and bonus may be awarded only when the added value is over NOK 100 million.

Normally the bonus shall be divided equally and awarded to employees at discretion. However the CEO may also distribute bonus as an individual reward.

Bonus will not normally be awarded in the form of money, but as subscription rights in the company. In the same way as under the incentive programme, maximum 40% of the person's pay from the company may be given per year as a bonus and therefore the subscription rights given as bonus shall be calculated by dividing the appropriate percentage of the employee's earnings by the market price of the shares. The market price of the shares shall be determined by an independent public accountant or other independent person having expert knowledge of the matter. Subscription rights may be exercised at the earliest by stock market introduction or by sale of the company. Otherwise, subscription rights can be exercised at any time during the period from 3 years to 5 years from the time of assignment.

Auditor

Remuneration for Deloitte AS is as follows (excl. VAT):

	2013	2012
Statutory audit	160 000	160 000
Audit-related services	37 800	27 310
Certification services	5 100	10 200
Tax related services		57 100

Note 3

Tangible/ Intangible assets

	FF&E	Plant & Machinery	Purchases of licence interests, exploration wells	Total
Cost at 1 January	2 091 851	77 725	23 512 224	25 681 800
Additions	188 198		16 724 689	16 912 887
Expensed dry wells, previously capitalised			-13 223 554	-13 223 554
Disposals			-6 598 411	-6 598 411
Cost 31 December	2 280 049	77 725	20 414 948	22 772 722
Acc. depreciation at 1 January	1 662 629	61 757		1 724 386
Current year's depreciation	457 701	10 166		467 867
Acc. depreciation 31 December	2 120 330	71 923		2 192 253
Book value as of 31 December	159 719	5 802	20 414 948	20 580 469
Economic life	3-5 yrs	5 yrs		
Depreciation schedule	Linear	Linear		

Intangible assets include acquisition costs for interests in licences and costs connected with drilling of exploration wells.

Note 4

Share capital and shareholders

As of 31.12.13 the company's share capital consisted of one class of shares, all of which bear the same voting rights. Acquisition of shares by purchase or as a gift or by any other means requires board approval

	Number of shares	Nominal value	Book value
Shares	11 479 437	0.2073631	2 380 412
Total	11 479 437		2 380 412

Subscription rights

The right to exercise subscription rights lapses in the event of the company being listed on the stock exchange. The subscription rights may be exercised during a period of from 3 to 5 years from the date of allocation.

A complete overview of the subscription rights in the company is shown below.

Name	Number of rights	Subscription Price (NOK)	Total Price (NOK)	Allocation date
Employees	239 456	30,00	7 183 680	Board Meeting 17. December 2010
Employees	59 167	60,00	3 550 020	Board Meeting 16. December 2011
Employees	29 407	47,50	1 396 833	Board Meeting 14. December 2012
Employees and Directors	19 778	42,00	830 676	Board Meeting 17. December 2013
Total	347 808		12 961 209	

The above figures include 114 327 subscription rights allocated to Geir Lunde, 109 884 to Erik Klausen, 3 245 to Olav Fjell, 2 163 to Karen Sund, 2 163 to Hege Wullum and 526 to Nirav Dagli in connection with the incentive scheme.

Ownership structure

The ten largest shareholders as of 31.12.2013:

Name	Number of shares	% of interests	Home country / Country of registration
H. M. STRUCTURES LIM	2 983 609	27.23	CYP
EUROCLEAR BANK S.A.	2 580 000	23.55	BEL
MEGABAS AS	2 176 449	19.87	NOR
HEATHLANDS HOLDING	503 967	4.60	CYP
KNUTSEN JOHN ERIC TA	250 000	2.28	GBR
GOLDMAN SACHS INT.	248 603	2.27	NOR
UBS AG ZURICH	220 000	2.01	CHE
GOLDMAN SACHS & CO	198 470	1.81	USA
SIX SIS AG	170 000	1.55	CHE
FJELLVIT AS	154 529	1.41	NOR
OTHER SHAREHOLDERS	1 469 489	13.41	Miscellaneous
Total	10 955 116	100.00	

Concedo holds in addition to the above 524 321 (treasury shares) own shares in the company.

Shares owned by Directors and CEO

Name	Office	Number of shares
Olav Fjell through 100% in Fjellvit AS	Board Chairman	154 529
Geir Lunde through 16,4% in Megabas AS	CEO	356 938
Erik Klausen through 16,4% in Megabas AS	Director	356 938
Nirav Dagli	Director	12 000
Erik Klausen through Safeway AS	Director	24 796
Karen Sund through Sund Energy AS	Director	2 307

Note 5

Equity

	Share capital	Share Premium Account	Other contributed capital	Other reserves	Total
Equity at 1 January	2 269 818	1 410 458	6 267 542	376 616 858	386 564 676
Subscription rights			1 727 600		1 727 600
Share issue	110 594				110 594
Treasury shares purchased	-108 725		-7 995 142	-14 966 258	-23 070 124
Profit/Loss for the year				-75 829 880	-75 829 880
Equity at 31 December	2 271 687	1 410 458	0	285 820 721	289 502 864

The value of subscription rights expensed in 2013 of NOK 1 727 600 has been calculated according to Black-Scholes formula. Two shares issues were undertaken in 2013 in connection with the exercise of 533 333 subscription rights. In addition, to secure the functioning of the incentive scheme, the company acquires 524 321 treasury shares at a price of NOK 23 070 124 during the years. The new share capital at the end of the year is NOK 2 380 412 consisting of 11 479 437 shares at a nominal value of 0.207363131, including 524 321 treasury shares.

Note 6

Income tax

Income tax for the current year is calculated as follows:	2013	2012
Adjustment for tax refund earlier years	-23 735	1 717
Change in deferred tax	-3 905 013	12 703 482
Tax value of exploration costs (See Note 8)	-252 561 625	-136 136 909
Tax on ordinary income	-256 490 372	- 123 431 710
Reconciling nominal and actual tax rates:	2013	2013
Pre-tax profit/loss	- 332 320 249	-155 842 619
Anticipated income tax at nominal rate (28%)	-93 049 670	-43 635 933
Tax effect of following items:		
Adjustment for tax earlier years	-18 866	1 717
Non-deductible expenses	521 610	608 170
Tax effect of interest on loss for carrying forward (50%)	-155 379	-183 341
Change in tax rate	-174 835	
Effect of surtax (50%)	-163 613 233	80 222 324
Income tax	-256 490 372	-123 431 710
Effective tax rate	77%	79%

Specification of tax effect of temporary differences and loss for carrying forward:

	2013		2012	
	Deferred tax asset	Deferred tax liability	Deferred tax asset	Deferred tax liability
Exploration expenses and licence costs		15 462 609		18 018 444
Provisions for liabilities	753 323		3 713 608	
Loss to be carried forward	14 672 913		10 363 451	
Total	15 426 236	15 462 609	14 077 058	18 018 444
Of which netted	15 426 236	-15 426 236	-14 077 058	-14 077 058
Net deferred tax asset/ liability		36 373		3 941 386

Profit from oil and gas operations on the Norwegian shelf is taxed in accordance with the Norwegian Petroleum Tax Act. A special 50% (from 1 January 2014 51%) surtax is levied in addition to the ordinary 28% (from 1 January 2014 27%) corporate tax. The taxpayer may claim payment from the government for the tax value of direct and indirect expenses (with the exception of financing expenses)

for petroleum exploration, provided that the sum does not exceed the year's loss on, respectively, ordinary income in the shelf tax district and the basis for surtax.

Shelf loss may be utilized against a possible future shelf gain. Alternatively, the tax value of loss carry forwards connected to operations on the

Norwegian Shelf will be received in the event of a possible termination of the business.

Deferred tax effect has been capitalised to the extent future realisation is deemed probable.

Note 7

Bank deposits

Bank deposits, cash in hand etc. includes non-distributable withheld tax in the sum of NOK 852 726,- and a rental deposit of NOK 637 091,-

Note 8

Other receivables

For the 2013 tax assessment the company claims reimbursement of the tax value of petroleum exploration costs totalling NOK 252 561 525 (2012: NOK 136 136 909), see

Petroleum Tax Act, 5th paragraph of section 3c. Outstanding accounts with operators and others are also in the financial line item "Other receivables".

Note 9

Leasing agreements

Annual rental for non-capitalised assets amounts to NOK 959 064 (2012: 934 460), which relates to rent for the office premises in Asker.

The tenancy was renewed towards the end of 2011; the remaining period of tenancy being 4 years.

Note 10

Debt to financial institutions

The company has a credit line for NOK 350 000 000 in DNB ASA. The interest rate is NIBOR plus a margin of 2.25%.

Withdrawals are limited to 95% of the tax value of petroleum exploration expenses. Repayments coincide with the reimbursement of exploration expenses from the tax authorities. Withdrawals may be made until 31 December 2013 and the last repayment must be made in December 2014.

As of 31 December 2013 withdrawals

totalled NOK 251 635 267. We have calculated the tax reimbursement as being NOK 252 561 625, see notes 6 and 8. 95% of the estimated tax reimbursement amounts to NOK 239 933 544, so that withdrawals exceed the maximum permitted by NOK 11 701 723 as of 31 December 2013. Therefore a sum of NOK 11 701 723 will be repaid on 15th March 2014, in accordance with the credit line agreement.

The loan is secured by the tax reimbursement scheme, 20% in PL 531, 20% in PL 370/PL370B, 20% in PL 561, 20% in PL 576, 20% in PL 616, 20% in PL 629 and 20% in PL 652. Due to the ongoing trade in PL 607 the licence was exempt from the pledge agreement. Licences PL 370, PL 576 and PL 561 were relinquished in 2013. It will be taken initiative to update the pledge account in the first half 2014 for the award of new licences. Under the loan agreement a mortgage is also given on the company's offshore insurances relating to exploration activities.

Note 11

Other current liabilities

Other current liabilities include salaries, holiday pay etc. totalling NOK 1 419 619.

Note 12

Financial market risk

The company employs financial instruments such as bank loans and deposits. The purpose of these instruments is to procure capital for the investments required for the company's activities. Other financial instruments are trade debtors and creditors etc. that are directly linked

with everyday operations. The company does not trade in derivatives.

The most significant financial risks the company is exposed to are related to oil prices, interest rates, capital needs and loan terms. The risk of trade debtors and

partners being unable to fulfil their obligations towards Concedo is considered to be low. The company is to a limited degree exposed to currency risk. The company has not entered into any contracts to offset the risks.

Note 13

Exploration costs

Exploration costs in the profit and loss statement consist of the following:

	2013	2012
Salary and other payroll, ref note 2	18 999 538	20 469 027
Seismic, drilling and general licence expenses	294 824 538	132 479 583
Other operating costs linked with exploration	15 052 393	9 205 673
Total	328 876 470	162 154 282

Exploration costs, capitalised and expensed, totalled NOK 325 779 194 in 2013 (2012: NOK 182 660 121). Exploration expenses eligible for tax refunds amount to NOK 323 796 955.

Note 14

Licences

PL 370/PL 370B – The licence have been relinquished in 2013.

PL 531 – This licence was awarded in the 20th round and Concedo holds a 20% interest. This is Concedo's first licence in the Barents Sea. Operator for the licence is Repsol. The Darwin well was drilled in the licence first half of 2013 and it was dry. The evaluation of the remaining prospectivity in the licence is ongoing. The Partnership has applied for half a year extension of the licence period.

PL 607 – PL 607 was awarded in the 21st round. The licence lies in the west of the Barents Sea immediately north of our PL 531. Concedo acquired a 40% interest and operator is GdF. Concedo has reduced the interest to 20% through a swap with OMV. Preparations have started for drilling a well in first half 2014.

PL576 – The licence was relinquished in 2013.

PL 561 – The licence was relinquished in 2013.

PL 616 – In 2011 Concedo applied for open acreage in the Southern North Sea. In February 2012 the acreage was awarded as PL 616. Concedo ASA holds a 20% interest in the licence which is operated by Edison. The licence area is situated west of the Hod, Valhall and Embla oil fields and covers block 2/10, and parts of block 2/7, and 2/11. A drill or drop decision will be made in 2014.

PL 629 – PL629 was awarded Concedo in February 2012, following the application for

the APA 2011. The licence lies on a prolific area of the Central North Sea, about 20 km north of the Heimdal Field and is operated by Bridge Energy. Concedo holds a 20% share interest. The work program includes geological/geophysical studies and acquisition of 3D seismic before a drill-or-drop decision within two years from award. New seismic has been purchased from TGS Nopec.

PL 652 – The licence was relinquished in 2013.

PL 541 – An interest of 7,5% in the licence was acquired from Skagen44 in 2nd half 2013. The licence is located in the southern North Sea with Repsol as operator. Drilling of the Brattholmen well in the licence was undertaken late 2013. Unfortunately, the well was dry. Evaluation after the well is ongoing.

PL 645 – The licence share of 10% was acquired in late 2013, 5% from Skagen 44 and 5% from Fareo petroleum which is the operator. The Novus well in the licence was completed in 2014. The exploration well 6507/10-2S was targeting the Jurassic reservoirs of the Garn, Ile, and Tilje formations on the Novus prospect. Strong AVO (amplitude versus offset) and 3D seismic amplitude anomalies at the target level were observed and analogous to discoveries in nearby fields. In January 2014, the main well bore targeting the Novus West prospect encountered a 12 meter net gas column and a 12.5 meter net oil column in a high quality, thicker than expected Garn formation. The Ile and Tilje formations were encountered in line with expectations

but were found to be water wet. Extensive data gathering has been undertaken including pressure and fluid samples from the main reservoir zones, and the preliminary volumetric estimate of the size of the discovery is between 6 and 15 mmbob recoverable gross. The well result will be used to refine the geological model and de-risk additional prospects and leads on the licence for potential future drilling.

PL 393B – The 20 % licence share of licence was acquired through a swap with OMV against 20% of PL 607. This licence is located in the Barents sea west of the Nucula discovery. The spud of the Ensis prospect in the licence is planned for 2nd half of 2014.

PL 680 – awarded February 2013 and applied for in APA 2012, lies adjacent to the Troll Field, a prolific hydrocarbon province in the Northern North Sea. Concedo holds a 40% share interest. The main target is located to the east of the Troll East Field. The work program contemplates a decision of acquiring 3D seismic or dropping the licence after one year of G&G evaluation. The Partnership has decided to relinquish the licence.

PL 670 – awarded February 2013 and applied for in APA 2012. The licence is located in the southern North Sea, west of the Ula Field including parts of blocks 7/11 and 7/12. Concedo holds a 20% share interest in the licence with Tullow Oil Norge as the operator. Interpretation and re-processing of seismic is ongoing.

Note 15

Subsequent events

Concedo was awarded seven licences in APA 2013:

PL670 B – The licence is an extension to PL 670 with common work programme.

PL 727 – The licence is located in the Southern North Sea with Edison as the operator.

PL737 S – The licence is located in the North Sea including part of blocks 25/4 and 25/5. Dana is the operator.

PL 746 S – This licence is in the northern North Sea including block 29/3. Rock-source is the operator.

PL 756 – This licence is located in Mid Norway including part of block 6608/10. Edison is the operator.

PL 768 – This licence is located in the south-eastern part of Barents Sea including part of blocks 7123/5, 6,7,8,9 and 7124/4 and 7. Wintershall is the operator.

PL 769 – This licence has the border with PL 768 to the east and includes part of blocks 7123/5,6,7,8,9 and 7124/4 and 7.



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To the Annual Shareholders' Meeting of Concedo ASA

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of Concedo ASA, which comprise the balance sheet as at December 31, 2013, the income statement, showing a loss of NOK 75.829.880, and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

The Board of Directors and the Managing Director's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements are prepared in accordance with the law and regulations and give a true and fair view of the financial position of Concedo ASA as at December 31, 2013, and of its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.



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Independent Auditor's Report to the
Annual Shareholders' Meeting of
Concedo ASA

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report and the statement on Corporate Social Responsibility

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 statement on Corporate Social Responsibility and the going concern assumption 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 produce a proper and clearly set out registration and documentation of the company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, March 6, 2014
Deloitte AS

Mette Herdlevær
State Authorised Public Accountant (Norway)



The Board of Directors



Olav Fjell

Olav Fjell is the Chairman of the Board of Directors. He has held a number of leading positions in Norwegian corporates, including President and CEO of Statoil. Mr. Fjell has retired from executive positions and is currently serving on the non-executive boards of nine companies.



Karen Sund

Karen Sund, Director, is a partner in Sund Energy. She has long international experience in advisory activities in the oil and gas industry. She has a Master's degree in international management and petroleum economics from BI, the Norwegian School of Management.



Erik Klausen

Erik Klausen, Executive director, has long managerial experience from international oil service companies and offshore projects. He has held positions as Vice President in Aker, Prosafe/Consafe etc. He graduated in engineering from the Heriot Watt University and has post graduate education in Business Administration.



Hege Wullum

Hege Wullum, Director, is the Director of marketing and circulation of Tun Media AS. She has more than 10 years' experience from the media business. Hege has also 7 years' international experience in the oil and gas industry, from Norsk Hydro and the Norwegian Ministry of Petroleum & Energy. She graduated in economics from NHH, the Norwegian School of Economics and Business Administration.



Navir Dagli

Nirav Dagli is managing partner at Spinnaker LLC. He has 20 years of experience advising senior executive management on performance improvement strategy and execution. Previously, he was partner at Oliver Wyman. He has an M.S. in electrical engineering and has taught courses in Signal processing at Boston University. Mr. Dagli serves as chairman of the board of directors at the better business bureau of eastern Massachusetts, Maine, Rhode Island and Vermont.

People 2013



Geir Lunde
Managing Director

CEO, has more than 30 years experience in exploration, geology and seismic interpretation. He graduated in petroleum prospecting from NTH, the Norwegian university of science and technology, in 1978.



Morten Hedemark
Operations Manager

Operations manager, has a background in well operations and petroleum technology. Morten graduated from the Heriot-Watt University in 1987.



Erik Klausen
Manager HSE

HSE manager, has more than 30 years experience in development of oil and gas projects on the Norwegian shelf. He graduated from the Heriot-Watt University in 1976.



Ole Herman Fjellton
Chief Reservoir Geologist

Chief Reservoir Geologist, has over 25 years experience as an exploration and reservoir geologist. He graduated in geology from NTH, the Norwegian university of science and technology, in 1981.



Juergen Schlaf
Senior Geologist

Juergen has 15 years of experience from the industry and worked for a range of companies. He has an academic background in carbonate sedimentology and sequence stratigraphy from the University of Vienna (Austria).



Elisabet Malmquist
Geological Advisor

Elisabet Malmquist has 25 years experience from the oil and gas industry. She has worked as a geologist within exploration covering the whole Norwegian shelf. Elisabet graduated with a MSc degree in Geology from Stockholm University in 1983.

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