

DIRECTORS' REPORT 2015

General

When looking back at 2015 and reading the newspapers, one gets the impression that it has been a bad year for all companies in the oil industry. The world around us is complicated, influenced especially by the drop in the oil price. However, the current environment is not all bad for Concedo.

In fact, the current low oil price gives Concedo many advantages in the short term. The company has been cautious when investing and retained its flexibility by having a small organization. It also has enough capital to maintain its original exploration strategy. Now the cost of drilling is falling, which is an advantage for exploration companies like Concedo.

There were 56 wells drilled on the Norwegian Continental Shelf (NCS) in 2015, but fewer are expected in 2016. The number of transactions on the NCS fell in 2015, another sign that the level of activity is falling. We are in the midst of a period in the oil industry facing stronger efficiency, involving cuts in investments, downsizing and efforts to develop technology. We believe this will in time result in a better and more robust industry. Several discoveries were made on the NCS in 2015 but these were not as big as in previous years. However, there are many more discoveries ready to be developed now than there were in previous periods. These include Maria, which Concedo was involved in finding in 2010 and has one of the lowest break-even prices on the NCS today. Statoil is now evaluating the possibility to develop the Johan Castberg and Trestakk fields due to cost reductions.

The Board's annual review of the company's strategy confirmed the earlier direction taken. Concedo will increase its exploration activity by applying for more licences while maintaining the number of wells in which it participates. The intention is to increase the chances of making good discoveries and allow transactions with other companies. A good exploration team, lower seismic data acquisition costs and lower rig rates give advantages, if utilized, in a world where it appears the oil price will remain low for a while.

In January 2016, Concedo was awarded six licences, including those given the highest priority in its applications. The company is now preparing applications for APA 2016.

Concedo participated in one well that proved to be dry in 2015. The well was drilled for less than the expected cost and without any damage or injuries.

The company has established three prioritized main exploration areas. The Norwegian authorities' award of five licences to Concedo in January 2015 reinforced the company's concentration on these prioritized areas. The exploration team believes there is a good possibility of finding oil in these areas and is continuing to build detailed knowledge of the geology and possible migration routes for oil. These three areas are in the Barents Sea, close to Goliat; in the Northern North Sea, close to Gullfaks; and in the North Sea, close to the Johan Sverdrup field. The proximity to the aforementioned fields make discoveries more likely to be commercialized. Wells drilled in 2016 or 2017 are very likely to be in these areas.

Objectives and strategy

Concedo wants to be one of the best exploration teams on the NCS. This means capitalizing on the team's excellent knowledge of leads and unmapped 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 strategy is to avoid capital-intensive investments in development projects.

Highlights 2015

In January of 2015, Concedo was awarded five partnerships in licences in APA 2014, which was encouraging and in line with the company's priorities. One well was drilled, but was unfortunately dry. Four licences were relinquished. At the beginning of 2016, the company was awarded partnership in six licences while five licences were relinquished.

Concedo made reached an agreement with ENI to acquire a 10% share in PL 697 in the Barents Sea, a strategic acquisition in an established area for Concedo. At the end of 2015, Concedo had 15 licences, while by the end of the first quarter 2016 it held a total of 16 licences.

Concedo also signed a long-term agreement with Geocore AS, a newly established consulting company in Bergen, to provide Concedo with additional resources in the coming licensing rounds.

Total exploration costs were well below budget at the year-end, due to lower drilling and licence costs.

Drilling

The Haribo well, 2/11-1 in licence PL 616, was drilled in July and classified as dry. The licence is located in blocks 2/7, 2/10 and 2/11 in the southern part of the North Sea, close to the Hod and Valhall fields. The well was drilled by the Transocean Searcher rig. The operator of the licence is Edison Norge (25%), and the other participants are Noreco Norway (20%), Concedo ASA (20%), Lime Petroleum (15%), North Energy (15%) and Skagen44 (5%).

Licences

In January 2016, Concedo was awarded six partnerships in licences in APA 2015, which was encouraging and aligned with the company's priorities. Five licences are in the North Sea while one is in the Barents Sea. Two licences are located near to the Johan Sverdrup field, an area with potential oil migration. Concedo's staff has significant experience in this promising area. One licence is located in the Barents Sea close to the Goliat field.

Below is a short summary of the licences awarded to Concedo in January 2016:

North Sea

PL 826 (30%) – in blocks 29/3, 30/1, 33/12. The work programme includes reprocessing of 3D seismic data and make a drill or drop decision after three years. Pure (now Point) is the operator.

PL 824 (30%) - in blocks 31/4, 5. The work programme includes acquiring 3D seismic data, conduct feasibility studies and make a drill or drop decision after two years. Pure (now Point) is the operator.

PL 816 (30%) - in blocks 17/4, 7. The work programme includes acquiring new seismic 3D data and making a drill or drop decision after two years. Eni is the operator.

PL 815 (20%) – in block 16/5. The work programme is to reprocess seismic 3D data and make a drill or drop decision after one year. Lundin is the operator.

PL 774B (30%) – in block 16/10. The work programme is the same as that for PL774. Tullow is the operator.

Barents Sea

PL 768B (25%) – in blocks 7122/8, 9. The work programme is the same as that for PL768. Wintershall is the operator.

Below is a short summary of the licences awarded in January 2015 (APA2014):

North Sea

PL 776 (20%) – in blocks 16/5, 6, 8 and 9. The work programme is to reprocess 3D seismic data and make a drill or drop decision by 6 February 2016. Tullow is the operator. The partnership made the decision to drill.

PL 775 (20%) - in blocks 16/7 and 16/8. The work programme is to reprocess 3D seismic data and make a drill or drop decision by 6 February 2016. Tullow is the operator. The partnership received positive acceptance by authorities to postpone the last date of drill and drop decision with two years.

PL 774 (30%) - in block 16/7. The work programme includes carrying out G&G studies and making a drill or drop decision by 6 February 2017. Tullow is the operator.

PL 784 (20%) – in blocks 25/3 and 25/6. The work programme is to acquire 3D seismic data and make a drill or drop decision by 6 February 2017. Tullow is the operator.

Barents Sea

PL 804 (30%) – in blocks 7121/10, 11 and 12. The work programme is to reprocess 3D seismic data and make a drill or drop decision by 6 February 2017. Wintershall is the operator.

Acquisitions in 2015

PL 697 (10%): seismic mapping and G & G studies. Preparation for drilling a well in early 2017.

Other licence activities in 2015

PL 616 (20%): drilled the Haribo well 2/11-1 .

PL 746S (30%): prospect mapping and evaluation are ongoing.

PL 768 (25%): prospect mapping and evaluation are ongoing.

PL 727 (30%): applied for a one-year postponement of the DOD decision as from February 2016.

Licences relinquished in 2015

PL 393B: drilled a well in 2014. Relinquished June 2015.

PL 541: relinquished February 2015.

PL 629: relinquished February 2015.

PL 645: relinquished August 2015.

Relinquished licences 2016

PL 670: relinquished February 2016.

PL 670B: relinquished February 2016.

PL 737S: relinquished February 2016.

PL 759: relinquished February 2016.

PL 769: relinquished February 2016.

Financing

The company has agreed to renew the NOK 350 million exploration finance facility established with DNB in 2014. This will provide the level of working capital needed for the exploration programme going forward to 2017.

Business office

Concedo has offices in Asker outside Oslo.

History

Concedo was established as an exploration company in 2006 and pre-qualified as a licensee on the NCS in 2007. The company started off with a strong team of eight experienced employees. In pace with assignments and the number of licences in the company's portfolio, this team had grown to 13 employees in 2015. The first discovery (gas) was made in 2008 - the Galtvort prospect - and in 2009 oil was found in what is now known as the Hyme field, both in licence PL 348. Concedo's interest in this licence was sold to Statoil in 2010. In 2010, the Maria discovery, just south of the Smørbuk South field, was proven to be oil-bearing. This was sold to the operator Wintershall in 2011. The Novus discovery was made in early 2014, but was declared non-commercial. In 2014, Concedo divested PL 607 to Total E&P. In 2015, Concedo acquired a 10% working interest share in PL 697 in the Barents Sea and entered into a frame agreement with Geocore in Bergen.

Research and development

Concedo is a member of FORCE (Forum for Reservoir Characterization, Reservoir Engineering and Exploration), which was set up by the Norwegian Petroleum Directorate to stimulate industrial cooperation, improve exploration processes and enhance the recovery of resources on the NCS. Concedo contributes actively to FORCE and its employees are members of the technical committee, sedimentology committee and structural geology group.

Since 2008, Concedo has been involved in a programme to develop a seismic tool called GIM and has used this technology in the latest licensing rounds and in several of its exploration areas. GIM is now fully developed. The company has over several years tested out many new exploration technologies and chosen the most suitable for the different exploration areas.

Concedo has also been an active participant in the Norwegian Oil and Gas Committee for Licensing Policy and the Norwegian Oil and Gas Scout Group.

Health, safety and the environment

The company ensures that all its activities are carried out without causing harm to human beings or the environment. Safeguarding people, the environment and financial assets is an integral part of our management system and daily operations. Our activities caused no spills, injuries or accidents in 2015.

As a licensee on the NCS, Concedo bears responsibility for, and makes conscious choices designed to minimize risks to itself and its partners. Concedo actively supports the operator with expertise and experience in preventing undesirable incidents while participating in drilling operations. In the planning of drilling operations on the Ronaldo, Darwin, Brattholmen, Novus and Haribo prospects, Concedo was actively involved in risk assessments and audit meetings.

The working environment is considered to be good and we make continuous efforts to improve it further. In 2015, our employees participated in health and environmental activities to prevent injuries. The sick leave in 2015 was 44 days or 1.5 % of the total hours worked.

Gender equality

At the end of 2015, Concedo had 13 employees, three women and ten men. The Board of Directors consists of five directors, two women and three men. Concedo emphasizes gender equality, equal conditions and the equal treatment of all employees.

Sustainability and responsibility

Concedo integrates Corporate Social Responsibility (CSR) into its daily work routines and management system.

It is an integral part of our business to ensure respect for human rights, take responsibility as an employer, minimize our impact on the environment, fight corruption and ensure a transparent corporate culture when dealing with all our stakeholders. We consider this a necessary and natural part of the way we carry out our business operations.

To generate and sustain support from both shareholders and stakeholders, we:

- Continuously improve our business practices in compliance with the Norwegian authorities' requirements and expectations.
- Maintain an open and reflective dialogue with stakeholders.
- Make decisions based on how they affect our interests and the interests of society.
- Identify gaps between our goals and actual performance and work to close these.

The Board of Directors further strengthens the Corporate Responsibility (CR) policies and performance, incorporating both internal and external feedback.

Concedo has simple and transparent systems that enable us to implement and meet internal and external sustainability expectations on an operational level.

Key areas of the company's CSR platform are:

- Improve and develop HSE.
- Have zero tolerance for emissions caused by our operations that can harm the environment.
- Support and respect the protection of human rights in all operations.
- Comply with Norwegian legislation.
- Have zero tolerance for both the giving and receiving of bribes or other corruption methods, including extortion.
- Have zero tolerance for discrimination.

Our management system and routines cover the issues described above in relation to our CSR policy.

Corporate governance

The company's owner-control and management system is in accordance with Norwegian recommendations. Concedo complies, where relevant, with the Norwegian Code of Practice for Corporate Governance (NUES).

The Board of Directors held seven meetings in 2015. Key strategic and operational issues that were discussed include:

- A review of the impact of the low oil price and political situation in Norway.
- Close monitoring of the company's operational and financial performance, including Quality, Health, Safety and the Environment. Lessons-learned discussions after the completion of important activities such as the drilling of wells and awards in licensing rounds.
- Strategic balancing of the portfolio of exploration licences and assessment of licence applications in APA 2015.
- Assessment of investment and divestment opportunities.
- Supervision of risk-management processes and internal-control reporting.

Salaries for management and employees

In accordance with section 6-16a of the Public Limited Companies Act, the Board of Concedo ASA has prepared guidelines for determining the salaries and other remuneration of the company's management and employees.

Financial performance 2015

Financial statements are prepared in accordance with the Public Limited Companies Act, the Accounting Act and generally accepted accounting principles in Norway. To the best of the Directors' knowledge, there are no circumstances of significance for assessing the company's position as at 31 December 2015 or the 2015 results that are not set forth in the annual report and financial statements.

The Directors believe that the annual accounts give a true presentation of Concedo's financial position as at 31 December 2015 and of the results and cash flows for the fiscal year.

Revenues and profits

The company made an operating loss of NOK 161 million in 2015. The loss for the year after tax was NOK 37 million. The company made a monetary investment of NOK 159 million in exploration activities in 2015. It claims NOK 123 million as reimbursement of the tax value of the exploration costs. Exploration costs consist of the company's operating expenses and the costs of licences, seismic surveys and exploration wells. Costs related to the preparation of drilling exploration wells are recognized in the balance sheet. The capitalized cost related to drilling depends on whether or not commercial reserves are discovered. One well was drilled in 2015 and the cost was expensed. NOK 2 million of the exploration costs connected to the preparation of wells in the PL 746 licence have been capitalized.

Balance sheet and liquidity

At the year-end 2015, the company's book equity amounted to NOK 205 million, equal to an equity ratio of 62 %.

The company's interest-bearing debt originates from the NOK 350 million loan facility, of which NOK 120 million had been utilized as at 31 December 2015. The debt is secured by the tax-related reimbursement of the exploration costs.

The tax-related reimbursement resulting from exploration activities is expected to be NOK 123 million for 2015. The company has a NOK 350 million loan facility with DNB, i.e. NOK 120 million has been utilized.

Cash flow

The net cash flow from operating activities in 2015 was NOK 40 million. This included a tax reimbursement of NOK 216 million. The net cash flow from financing activities was NOK (80) million.

Distribution of profit

No dividend was paid in 2015.

Operational, financial and market risks

Our strategy is to obtain revenues through the sale of interests in discoveries. Key risks and uncertainties in our operations are related to the results of exploration work and the potential earnings from them.

The company is exposed to market risks connected with oil prices and the dollar exchange rate. The company has interest-bearing debts and is exposed to changes in interest levels. These fell in 2015. At present, Concedo does not have any contracts to hedge market risks.

The government of Norway levels the playing field between production and exploration companies by contributing to the exploration costs of non-producers. This practice is expected to continue.

Credit risk

The company has few receivables, so the risk of our debtors or partners being unable to fulfil their obligations to Concedo is low.

Liquidity risk

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

Currency risk

Some of the exploration costs are in USD. The Board has evaluated the situation related to USD versus NOK and decided not to hedge the currencies. A large part of the company's costs are in NOK. Divestments may be in USD. The falling NOK and rising USD have, in general, been disadvantageous in 2015 and may continue to be so in 2016. The situation of the exchange rate has been evaluated by the company, but not led to any alterations.

Risk of low oil price

Short-term low oil prices have some positive effects for Concedo, as exploration costs tend to be significantly reduced, e.g. lower rig rates, but they could lower the profitability of new discoveries.

In the longer term, a higher oil price is desirable as it increases the value of the oil and gas discovered.

Going concern

The financial statements have been prepared on the assumption that the company is a going concern. In compliance with section 3-3a of the Accountancy Act, we confirm that the requirements for a going concern have been satisfied.

Future prospects

Concedo's future depends on making commercial discoveries and having sufficient capital to do so. Finding oil when the oil price is low and selling it later when the price is high would be the ideal situation. The company's seismic and drilling costs are lower during periods of low oil prices.

Concedo currently has three main strengths:

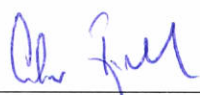
- a) A good exploration team who work well together and focus on the goal of finding oil.
- b) A portfolio that has the potential to result in oil discoveries which are well placed for commercialization.
- c) Sufficient capital to support exploration activity.

The exploration team has shown a strong ability to evaluate, search and obtain awards in the annual rounds. The current portfolio establishes a sound foundation and concentrates on three areas that each have a large potential for oil finds. A lot of detailed work has been carried out in these areas although a lot remains to be done. The company believes that these three areas may be ready for drilling in 2016 and 2017 and this means the next two-three years will be exciting. In addition, these

areas are favourable with regard to commercialization. Any discoveries may be good candidates for being tied in with existing large fields.

The Concedo team is very enthusiastic and motivated by these future opportunities. We believe these areas will lead to more discoveries during the next couple of years.

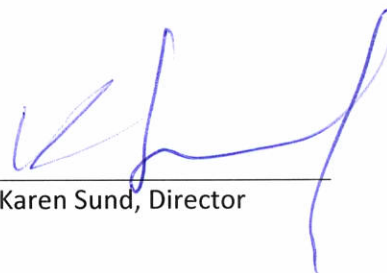
Asker, 10 March 2016



Olav Fjell, Chair



Erik Klausen, Director



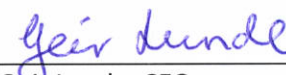
Karen Sund, Director



Hege Wullum Director



Nirav Dagli, Director



Geir Lunde, CEO