

Annual Report 2015



concedó

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) and the numbered rounds. Discoveries have been successfully sold to Statoil and Wintershall.

Standing on
the shoulders of

giants

"We are like dwarfs sitting on the shoulders of giants. We see more, and things that are more distant, than they did, not because our sight is superior or because we are taller than they, but because they raise us up, and by their great stature add to ours."

John of Salisbury, 1159

Message from the CEO

The oil price halved in 2015 compared to 2014 and the global economy is benefiting greatly from cheaper energy. In the short term, oil nations, oil companies and suppliers are losing money from the price drop, but it also drives a much-needed efficiency process. Concedo benefits from lower prices for seismic services and the reduction in future drilling costs.

Provided we manage to safeguard our competence in Norway, both the country and companies on the Norwegian continental shelf (NCS) will benefit from lower operating costs in the future. The NCS is already a world-leader in environmentally friendly production and is continuously experiencing improvements that prevent accidents and emissions to the sea and air. Gas may replace more coal in power production and reduce emissions. There is also a growing market for gas to fuel ships and road transportation. Meanwhile, renewables are growing quickly and there is some interest in carbon capture and storage. The NCS can provide storage capacity and potentially use CO² to produce more oil.

For decades, the NCS has been a laboratory for testing out new petroleum technology. This decade has been particularly important for exploration technology. The seismic industry is constantly finding new ways of gathering and processing data that are better and cheaper. For example, it is refreshing to hear how seismic-company founder Anders Farestveit sees the steadily growing global market for seabed seismic services. Electromagnetic technology has been tested, too. Based on these tests of exploration technology, Concedo can now make wise choices regarding the technologies that will be particularly useful for exploring the NCS further. In the field of exploration drilling, Transocean's new drilling rigs, which have two derricks, have impressively managed to halve the time taken to drill wells.

In 2016, it is 50 years since the first exploration drilling on the NCS. There has been a greater willingness to cooperate, share and learn from each other on the NCS than anywhere else in the world. This will probably also be a competitive advantage in the future. We believe companies

that cooperate and help suppliers and oil companies to make progress will be winners themselves.

So far, Concedo has only benefited from the cost cuts following the change in the oil price. We manage to do more work with the funds we have. Concedo is continuing the strategy it has had since it started up in 2006. Our goal is to be among the best exploration companies on the NCS and to take part in one to three exploration drilling operations a year. Discoveries will normally be sold before they are developed. Our dream scenario is to spend the next few years making good discoveries that are sold once the oil price has risen again.

The company did not apply for any licences in the 23rd licensing round but is increasing its efforts in the annual Awards in Predefined Areas (APA) rounds. In cooperation with other oil companies and competent consultancy environments, we are constantly seeing new opportunities. Good discoveries close to infrastructure will be profitable in most price scenarios. The annual report

contains a description of how the establishment of licences in especially three areas close to the Johan Sverdrup/Edvard Grieg, Gullfaks and Goliat fields gives us a good starting point for the next round of creating value from exploration activities.

In 2015, we only participated in drilling one well, which unfortunately was dry. At the same time, we achieved important shares in licences in APA 2014 and APA 2015.

At the end of 2015, there were many on-going decisions that affected our licences. In January 2016, it was decided to drill a well in PL 776, just south of the Johan Sverdrup field. A site survey was acquired in February 2016 and the Borgland Dolphin rig will carry out drilling operations during the summer.

Following a trade with Eni Norge, Concedo now has a 10% share in PL 697, just south of the Goliat field. The plans are to drill a well here in early 2017.

Regarding PL 746S, near to the Gullfaks field, which we thought for a long time

would be drilled in 2016, a postponement of the drilling decision has been applied for.

Concedo is focusing heavily on the annual APA rounds. The organization is becoming increasingly efficient at searching for new opportunities and we are good at helping each other. In addition, we expect to benefit greatly from a long-term contract with a new consultancy environment, Geocore, which has excellent professionals available for support where needed.

In 2015, I have been part of the leadership of the Licensing Policy Committee, a group consisting of all the exploration managers in the Norwegian Oil and Gas Association, and I will continue to be so in 2016. It is a great pleasure to see this group's voluntary efforts and sharing of experiences, which help to maintain progress on the NCS even when times are tough.



Geir Lunde
Geir Lunde
CEO

Standing on the shoulders of giants

Concedo has acquired an interesting portfolio of exploration licences and, with three geographical areas, we are in many ways standing on the shoulders of giants:

Giant 1: the Johan Sverdrup/-Edvard Grieg fields operated by Statoil and Lundin

Giant 2: the Goliat field operated by Eni

Giant 3: the Gullfaks field operated by Statoil

All good things are three and, by the expression «standing on the shoulders of giants», Concedo means both the petroleum deposits in the subsurface and all the efforts made by these companies' key employees to discover, develop and optimize the production of the fields in these three areas. Our ambition is to build on the accumulated knowledge of the area and contribute to the further success of these valuable assets. In these areas, close to existing infrastructure, we often find our most impor-

tant clues to new discoveries by looking closely at the data from old wells with oil shows. This was the case when we contributed to the discovery of the Maria field in 2010 and this is also the case for the opportunities we see in the area south of the Johan Sverdrup field and close to the Gullfaks field. The oil shows in combination with new seismic mapping may lead us to new discoveries.

The first giant consists of the **Edvard Grieg and Johan Sverdrup** fields, which were discovered in 2007 and 2010 and start producing in 2015 and 2019 respectively. Lundin, with its exploration manager, Hans Christen Rønnevik, was a key company to making these discoveries possible. The initial reserves of the Johan Sverdrup field alone are between 1,650 and 3,000 million bbl oil and will be produced at a plateau rate of 550-650,000 bbl/day. This is a fantastic treasure for Norway for the coming 30-50 years.



“Standing on the shoulders of giants”

Isaac Newton, 1676 letter

Both the Edvard Grieg and Johan Sverdrup fields have been named after giants in Norway’s history – a composer and a politician.

Concedo has been inspired by the geology and fantastic discoveries of these giants and our work has resulted in three licences south of Johan Sverdrup in APA 2014 (PL 774, 775 and 776) and three licences in APA 2015 (PL 815, 816 and 774B). The partnership in PL 776 has made a positive drilling decision and a site survey will be acquired in February 2016. Drilling of the Rome prospect will take place during the summer of 2016. According to our evalua-

tion, there is a good chance that hydrocarbons may be found in large accumulations within our acreage. New stand-alone developments or a tie-back to Edvard Grieg may be options to be considered for future discoveries.

The second giant, the **Goliat** field, is the first producing oil field in the Barents Sea. It was discovered in 2000 and starts producing in 2016 . With about 180 million barrels, Goliat is not really a giant discovery yet, but hopefully, the field will live up to its biblical name when we contribute to additional discoveries in the area. Production will peak as early

as in 2017 and from then on there will be capacity for tie-ins.

All of Concedo’s licences in the Barents Sea are located close to this field. In 2015, we entered PL 697 with the Goliat Eye prospect that is planned to be drilled in early 2017. We also obtained additional acreage close to Goliat in the APA 2015 licensing round (PL 768B). Exploration close to the Goliat field may lead to discoveries that can be tied into this field at low break-even costs. This is probably the area in the Barents Sea with the best commercial opportunities. At the moment, we see both low-risk/

moderate-volume and high-risk/ large-volume opportunities. With further technical work, we will probably be able to de-risk the prospects and find good drilling candidates.

The third giant, the **Gullfaks** field, was discovered in 1978. Since start-up in 1986, the field has produced about 2.56 billion barrels of oil and more than 70 billion cubic metres of gas.

Concedo’s relationship with Gullfaks started off with PL 746S, just south of the field. Initially, our main focus was on the producibility and upside

of the old Hernar (29/3-1) discovery within PL 746S. However, geoscientists in the operator organization discovered, in 2014, that the Skinnfaks discovery in the area probably extends into our area. The study of pressure data and seismic attributes support this evaluation. Later, the partners (Tullow and Concedo) and external consultants agreed. Now, the partnership considers appraising the Skinnfaks South and Hernar discoveries with a new well. Both reservoir simulations and alternative field development scenarios have been evaluated. A site survey was acquired in 2015, but a drill decision has not been made yet. In APA 2015

we also got a new license (PL 826) with the same partners as in PL 746S. The work in the two licenses will be co-ordinated and the ambition is to improve the seismic data by reprocessing in both licenses. This may improve the quality of seismic mapping and special seismic studies. Discoveries south of Gullfaks would contribute to value creation for both our partnership and the Gullfaks field.

Johan Sverdrup

Johan Sverdrup (30 July 1816 - 17 February 1892) was the most prominent politician on the left side in Norwegian politics in the mid-1800s. As Member of Parliament for more than 30 years, Sverdrup was the reform movement's undisputed leader in the years up to 1884. That year he was elected to the newly formed party "Venstres" first chairman, and later that year he became prime minister in Norway's first parliamentary government. As prime minister, he helped to implement important reform projects. Increased power to parliament, the introduction of parliamentary system, the establishment of political parties and universal suffrage for men and women was important steps in the democratization process, as Johan Sverdrup name, more than any others, are associated.

Edvard Grieg

Edvard Grieg (15 June 1843 – 4 September 1907) was a Norwegian composer and pianist. He is widely considered one of the leading Romantic era composers, and his music is part of the standard classical repertoire worldwide. His use and development of Norwegian folk music in his own compositions put the music of Norway in the international spectrum, as well as helping to develop a national identity. Grieg is regarded as simultaneously nationalistic and cosmopolitan in his orientation, for although born in Bergen and buried there, he travelled widely throughout Europe, and considered his music to express both the beauty of Norwegian rural life and the culture of Europe as a whole. He is the most celebrated person from the city of Bergen, with numerous statues depicting his image, and many cultural entities named after him.



The Edvard Grieg oil field, until 2012 Luno oil field, is an oil field on the Utsira High. It was discovered in 2007. It is expected to hold around 150 million barrels of oil.

Johan Sverdrup is one of the largest oil discoveries. Located on the Utsira High in the central North Sea. It is located 140 kilometers west of Stavanger. It was discovered in 2010. It is expected to hold as much as 1650-3000 million bbl of oil

The history of the Maria Field

– an example of large value creation from exploration

After detailed geophysical, geological and petrophysical studies, Concedo applied for this area in the APA2008 licensing round. In January 2009, the PL 475BS licence was awarded to Concedo and its partners. Subsequently, the Maria prospect was matured further towards the drilling of well 6406/3-8 in 2010. This was the second well drilled on the structure as the partners of the first licence (PL 091) drilled well 6406/3-5 in 1988, but only shows of oil were encountered. Our well, 6406/3-8, located in an up-dip position to the first well, resulted in the significant Maria oil discovery.

In line with Concedo's business model, the Maria discovery was divested in 2011 when the operator Wintershall acquired Concedo's 10% share.

An appraisal well (6407/1-5S) was drilled in 2012 in the northern part of the structure, confirming oil in the northern part of the field too.

The Norwegian parliament approved the PDO (Plan for Development and Operation) for the Maria field in September 2015.

Although the development is not considered very technically challenging, the

commercial arrangement is. With four hosts supporting the Maria subsea tie-in field, a complex commercial structure was developed. Kristin is the key Maria host platform, processing the Maria wellstream. Åsgard provides gas for gas lift via the existing Tyrihans line and the storage and offloading of produced oil, while Heidrun supplies treated water for injection.

Maria's official reserves of oil, NGL and gas are estimated to be 30 million Sm³/190 million barrels (NPD), and the platform's break-even oil price is among the lowest on the Norwegian Continental Shelf.

According to the Norwegian Ministry of Petroleum and Energy, investments in this development are expected to reach NOK 15 billion. Bearing in mind the current situation for the oil business in general and the oil service/supply industry in particular, this field development will play an important role in maintaining the level of activity in Norway. This field is expected to contribute a lot of money to the public purse. Rystad Energy's base case suggests that Maria will generate income tax of approx. NOK 50 billion.



Goliat

Goliath or Goliath of Gath (one of five city states of the Philistines) was a giant Philistine warrior defeated by the young David, the future king of Israel, in the Bible's Books of Samuel (1 Samuel 17).



The Goliat field is located in the production licence 229, in the Barents Sea. It was awarded in 1997.

The discovery well was drilled in 2000 and a total of six exploration wells have so far been drilled. Goliat has two separate main reservoirs - the Kobbe and Realgrunnen - and contains oil with an overlying gas cap. The Realgrunnen reservoir is situated 1,000m below sea level and the Kobbe reservoir 1,800m below sea level. With its 180 million barrels Goliat is not really a giant yet, but it has the potential to be it in future.



Geological Field Seminar Gaià-Garraf area, Spain

This two-day geological field seminar was held in the Gaià-Garraf area, close to Tarragona in Spain, on 2-3 May, with Mateu Esteban as our guide and lecturer. The purpose of the seminar was to study the effect of karst on carbonate

rocks. Karst is formed from the dissolution of rocks such as limestone, dolomite and gypsum and is characterized by underground 3D-drainage systems with sinkholes, dolines and caves. It creates porosity by dissolution and can later



Upper left: a "V-structure" or "karst collapse structure" created by the collapse of the roof of a large subsurface cave. **To the right:** the cave is part of a large regional karstified network of a 3D subsurface branched river system. **Lower left:** field seminar leader Mateu Esteban teaching about karstified carbonate rock systems.



The participants together with Mateu Esteban (without helmet)

destroy porosity by sedimentation and cementation. It is caused by surface (cold) waters as well as by hydrothermal (hot) waters after burial. Several stages of cold-water and/or hot-water karst may occur, resulting in a complex formation history. In order to model karstified reservoirs, such as the Permian carbonates in the Barents Sea, it is important to understand these processes.

The exposures of the coastal Catalan Ranges in the Gaià-Garraf area (between Tarragona and Barcelona) provide a superb opportunity to learn about two very important carbonate plays: karst and reef. These reservoir types are an essential part of classic "buried hill" exploration. In addition, the outcrops offer instructive correlation with the abundant subsurface data accumulated by REPSOL in the adjacent offshore Gulf of Valencia. In particular, the seismic-

scale features, stratigraphy, geometries, structures and tectonics are remarkably similar.

The field seminar covered general information about karst reservoirs and reefs, the correlation with the subsurface oil fields of the Gulf of Valencia and, finally, the applicability to similar carbonate plays in other basins. The focus was on the general patterns to be observed in outcrops.

The Gulf of Valencia has experienced extensive exploration activity since the early 1970s, but the success ratio has been low. This seminar proposes that the reason for the low success ratio may be the continuous application of the early play concepts, without evolving to include the understanding of carbonate reservoirs in relevant exploration concepts.

Mateu Esteban received his M.Sc. and Ph.D. from the University of Barcelona, Spain (1969, 1973). His major interests include carbonate reservoirs and regional synthesis. He has been an AAPG Distinguished Lecturer. Currently, he is an independent consultant based in Mallorca, Spain. He has worked for many oil companies, e.g. Norsk Hydro Oil and Gas, and currently works for Repsol. He presented the professional content and organised the logistics of the field seminar in a first-rate manner. The participants received a comprehensive guidebook illustrating the concepts, with an excellent description of the outcrops visited.

Gullfaks

Gullfaks is in Norse mythology horse to the giant Rungne, and is known as perhaps the fastest horse in the whole Jotunheim. Rungne and Gullfaks once raced Odin and Sleipner. They ended up in Valhall where Rungne challenged Tor to a duel, but was killed. After Rungne's 'death the horse was given to Tor's son, Magne.

Hrímfaxi (Rimfakse) drew the chariot of Nótt (Night). He was famous for having a great mane, which produced water. As he flew in the sky at night, water fell from his mane, which descended on all the plants and grass of the earth creating the morning dew. Indeed his name translates to 'Frost mane' or 'Rimed mane' ('hrim' meaning frost and 'faxi' meaning mane).

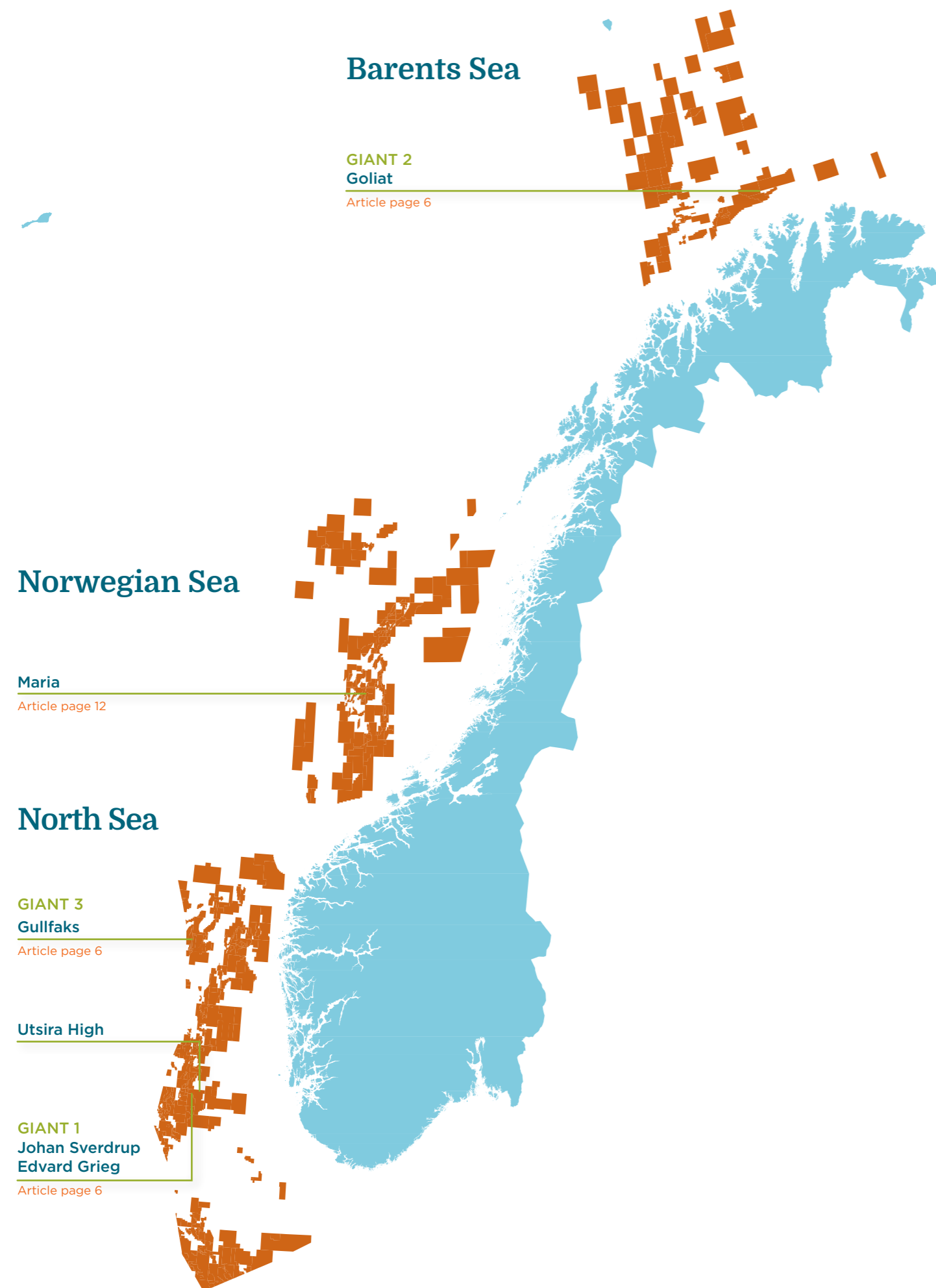
Credit: <http://www.mythicalcreatureslist.com/mythical-creature/Hrimfaxi>



Gullfaks is an oil field located in block 34/10 on the Norwegian Continental Shelf in the North Sea. The field was discovered in 1979, with production since 1986. The Gullfaks fields holds as much as 2000 million bbl of recoverable oil. The record production of 606 000 bbls per day was done 7th October 1994.

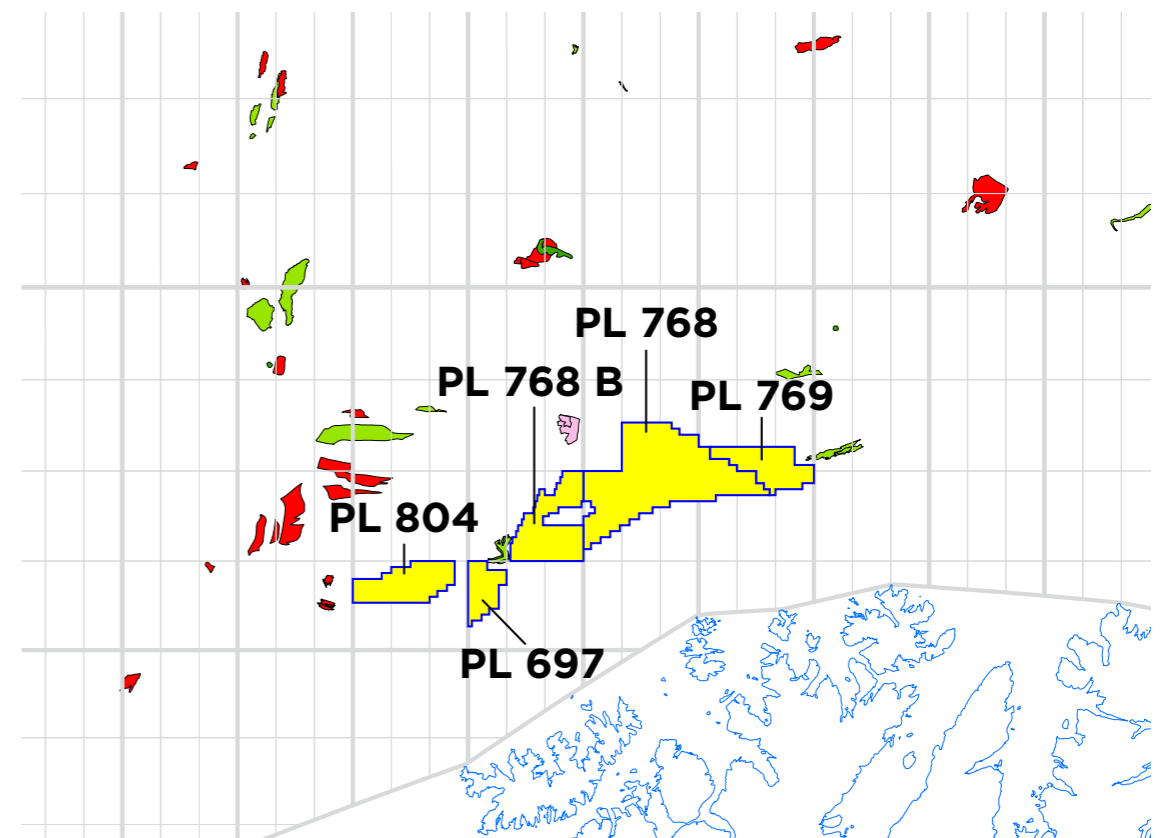
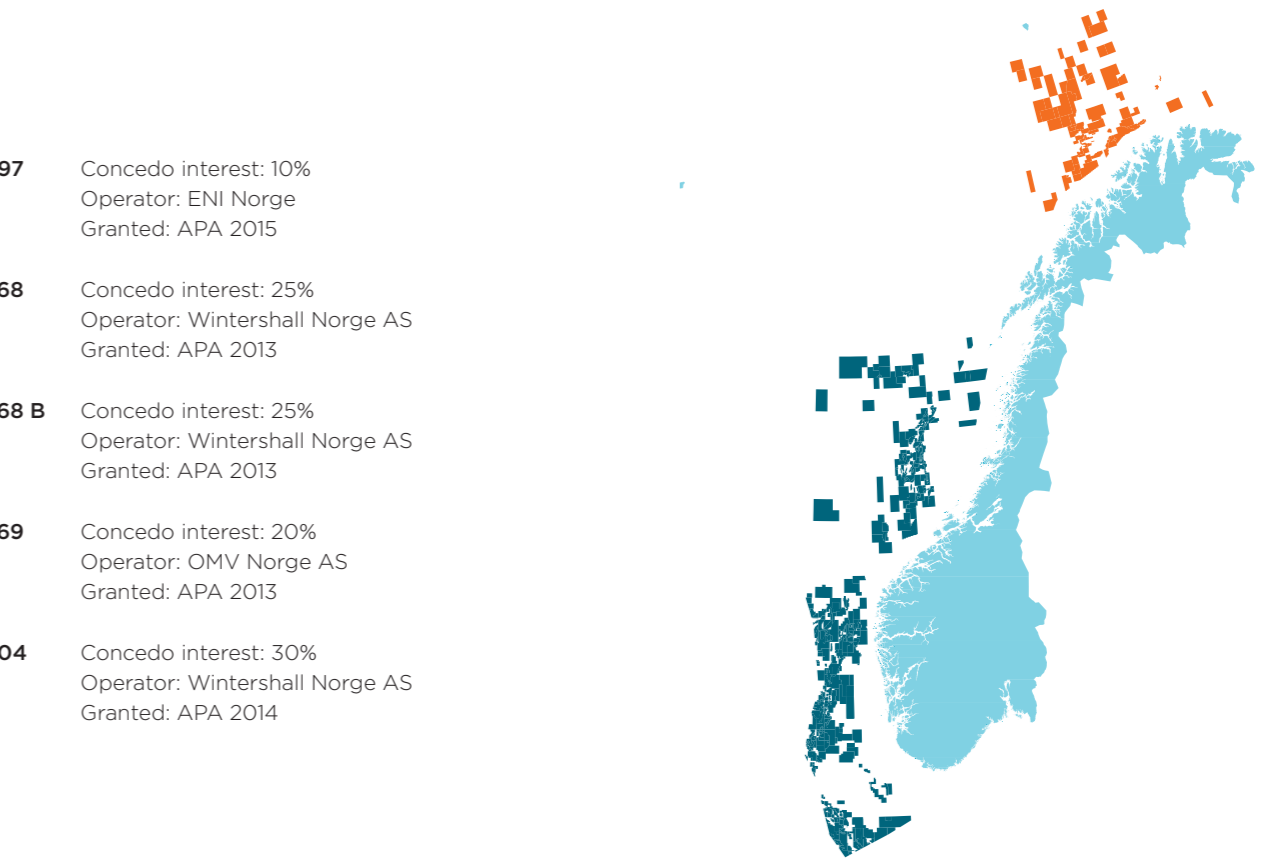


Licence portfolio



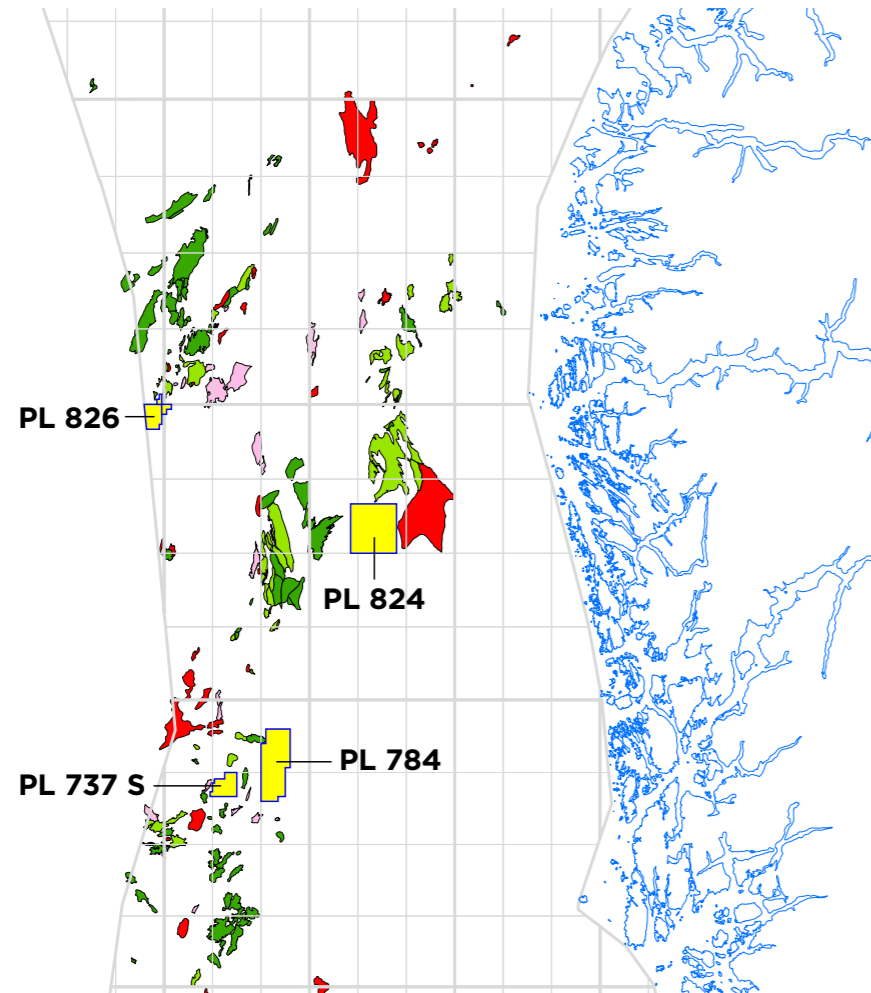
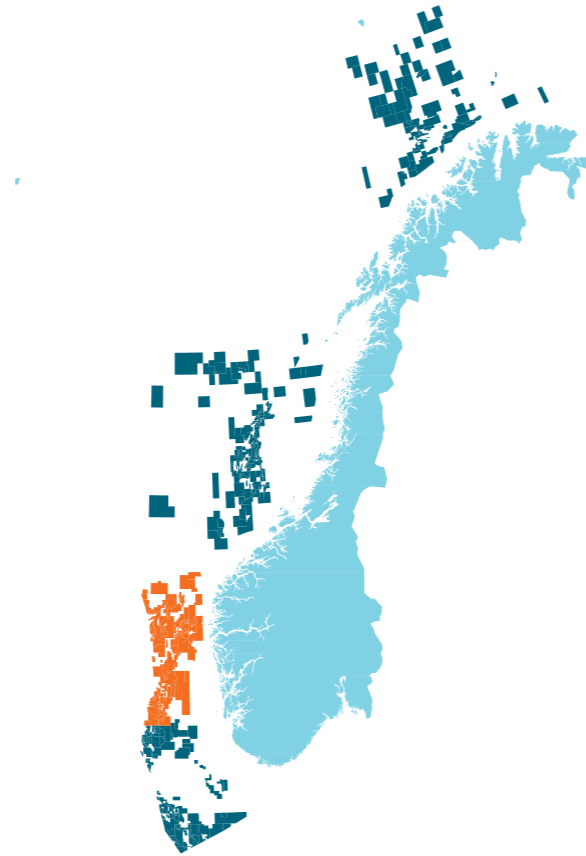
Licence portfolio
Barents Sea

- PL 697** Concedo interest: 10%
Operator: ENI Norge
Granted: APA 2015
- PL 768** Concedo interest: 25%
Operator: Wintershall Norge AS
Granted: APA 2013
- PL 768 B** Concedo interest: 25%
Operator: Wintershall Norge AS
Granted: APA 2013
- PL 769** Concedo interest: 20%
Operator: OMV Norge AS
Granted: APA 2013
- PL 804** Concedo interest: 30%
Operator: Wintershall Norge AS
Granted: APA 2014



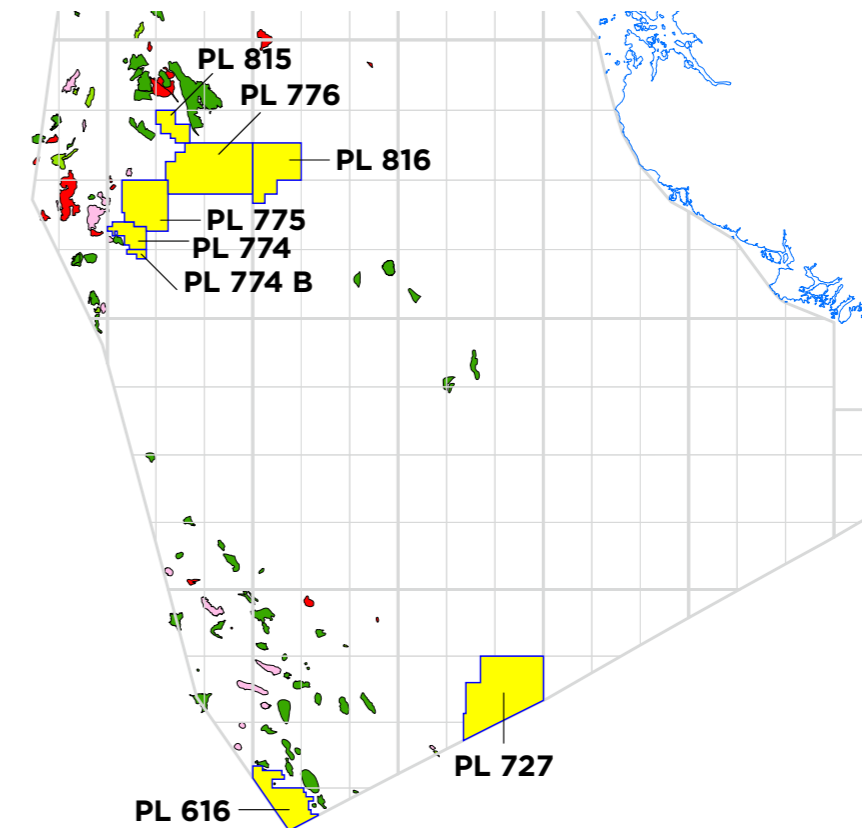
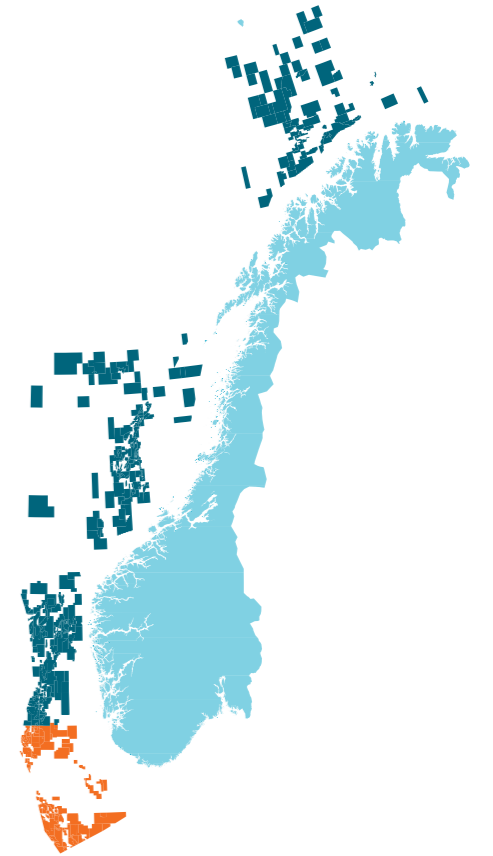
Licence portfolio Northern North Sea

- PL 737 S** Concedo interest: 30%
Operator: Dana Petroleum Norway AS
Granted: APA 2013
- PL 784** Concedo interest: 20%
Operator: Tullow Oil Norge AS
Granted: APA 2014
- PL 824** Concedo interest: 30%
Operator: Pure E&P Norge AS
Granted: APA 2015
- PL 826** Concedo interest: 30%
Operator: Pure E&P Norge AS
Granted: APA 2015



Licence portfolio Southern North Sea

- PL 616** Concedo interest: 20%
Operator: Edison International Norway Branch
Granted: APA 2011
- PL 727** Concedo interest: 30%
Operator: Edison International Norway Branch
Granted: APA 2013
- PL 774** Concedo interest: 30%
Operator: Tullow Oil Norge AS
Granted: APA 2014
- PL 774 B** Concedo interest: 30%
Operator: Tullow Oil Norge AS
Granted: APA 2015
- PL 775** Concedo interest: 20%
Operator: Tullow Oil Norge AS
Granted: APA 2014
- PL 776** Concedo interest: 20%
Operator: Tullow Oil Norge AS
Granted: APA 2014
- PL 815** Concedo interest: 20%
Operator: Ludin Norge AS
Granted: APA 2015
- PL 816** Concedo interest: 30%
Operator: ENI Norge AS
Granted: APA 2015



Director's 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 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 Smørbukk 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 good exploration team who work well together and focus on the goal of finding oil.
- A portfolio that has the potential to result in oil discoveries which are well placed for commercialization.
- 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, 10th March 2016



Olav Fjell
Chairman




Erik Klausen
Director



Karen Sund
Director



Hege Wullum
Director



Nirav Dagli
Director



Geir Lunde
CEO

Annual statements 2015

Concedo ASA

Profit and loss account 2015

Figures are given in the Norwegian currency NOK

	Note	2015	2014
Sales revenue	2	-	1 854 552
Other operating revenues	2	-	29 874 987
Total operating revenues		0	31 729 538
Depreciation on fixed and intangible assets	4	-456 423	-445 908
Exploration expenses	3,10,14	-160 760 348	-299 819 089
Total operating expenses		-161 216 771	-300 264 997
Operating profit/loss		-161 216 771	-268 535 459
Other interest received		3 476 228	7 033 691
Other financial income		8 132 750	9 446 744
Total financial income		11 608 978	16 480 434
Other interest paid		-8 901 501	-12 716 598
Other financial expenses		-4 354 715	-8 527 594
Total financial expenses		-13 256 217	-21 244 192
Net financial items		-1 647 238	-4 763 758
Pre-tax profit/loss on ordinary activities		-162 864 009	-273 299 217
Tax cost on profit on ordinary activities	7	126 150 401	229 872 295
Ordinary profit/loss		-36 713 608	-43 426 922
Income/loss for the year		-36 713 608	-43 426 922
Allocation			
Other reserves	6	-36 713 608	-43 426 922
Total		-36 713 608	-43 426 922

Concedo ASA

Balance Sheet as of 31 December 2015

Figures are given in the Norwegian currency NOK

ASSETS	Note	2015	2014
Fixed assets			
Intangible assets			
Deferred tax assets	7	17 404 140	14 379 241
Capitalised exploration expenses and licences	4	2 809 716	4 778 392
Total intangible assets		20 213 856	19 157 633
Tangible fixed assets			
Operating equipment, FF&E etc.	4	160 990	617 413
Total tangible fixed assets		160 990	617 413
Total fixed assets		20 374 847	19 775 046
Current assets			
Receivables			
Trade debtors		0	0
Other receivables	9	138 907 618	220 328 752
Total receivables		138 907 618	220 328 752
Bank deposits, cash-in-hand etc.	8	173 468 333	216 203 730
Total bank deposits, cash-in-hand etc.		173 468 333	216 203 730
Total current assets		312 375 950	436 532 482
Total assets		332 750 797	456 307 528

Concedo ASA


Balance Sheet as of 31 December 2015

Figures are given in the Norwegian currency NOK

SHAREHOLDERS' EQUITY AND LIABILITIES	Note	2015	2014
EQUITY			
Paid-in capital			
Share capital	5,6	2 430 066	2 430 066
Treasury shares		-158 379	-158 379
Share premium	6	4 567 126	4 567 126
Other paid-in capital	6	531 240	-
Total paid-in capital		7 370 053	6 838 813
Retained earnings			
Other reserves	6	197 397 145	234 110 753
Total retained earnings		197 397 145	234 110 753
Total Equity		204 767 198	240 949 566
Current liabilities			
Owed to credit institutions	11,13	119 752 859	200 015 122
Trade creditors		4 213 905	717 238
Unpaid government charges etc.		1 757 246	1 730 750
Other current liabilities	12	2 259 589	12 894 853
Total current liabilities		127 983 599	215 357 963
Total liabilities		127 983 599	215 357 963
Total Equity and Liabilities		332 750 797	456 307 528


Asker, 10 March 2016


 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	2015	2014
Pre-tax result		-162 864 009	-273 299 217
Adjustments for reconciling current year's result with cash flow from operating activities:			
Depreciation, amortisation and write-downs	4	456 423	445 908
Capitalised exploration costs expensed		4 082 322	20 412 753
Other items having no cash effect – subscription rights		531 240	766 627
Tax reimbursement received in period	7	215 548 948	252 550 338
Change in working capital (except for cash and cash equivalents):			
(Increase) reduction in trade debtors and other receivables		- 11 002 311	-2 229 058
Increase (reduction) in trade creditors and other current debts		-7 112 100	- 47 361 991
Cash flow from operating activities		39 640 513	-78 589 626
INVESTMENT ACTIVITIES			
Investments in fixed assets	4	-	-897 800
Capitalised exploration expenses	4	-2 113 647	-4 776 196
Sale of assets	2	-	31 528 470
Cash flow spent on investment activities		-2 113 647	25 854 473
FINANCING ACTIVITIES			
Share issue	6	-	3 206 322
Dividends and repayment of paid-in capital	5	-	-
Purchase of treasury shares	6	-	-9 099 328
New interest-bearing short-term debt	11	59 060 000	90 500 000
Repayments short-term debt	11	-139 322 263	-142 120 145
Cash flow spent on financing activities		-80 262 263	-57 513 151
Net increase (reduction) in cash and cash equivalents		-42 735 397	-110 248 303
Cash and cash equivalents at beginning of year		216 203 730	326 452 033
Cash and cash equivalents at end of year		173 468 333	216 203 730

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 licenses

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

Accounting for exploration costs

The company follows the «successful efforts» method of accounting for exploration costs in oil and gas operations. Costs for acquiring mineral interests in oil and gas areas and for drilling 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 recognised 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.

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 accounted for 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

Sales revenues

	2015	2014
Consulting services/ Income in Norway	0	1 854 551
Gain from sale of licence	0	29 874 987
Total	0	31 729 538

Note 3

Payroll costs, number of employees, benefits etc.

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

Payroll costs	2015	2014
Salaries	17 281 445	16 863 048
Employers payroll tax	2 681 230	2 451 497
Pension costs	1 447 644	1 171 062
Share-based remuneration	531 240	766 627
Other benefits	159 649	74 630
Total	22 101 208	21 326 864
Number of man-years employed during the financial year	13	13

*) 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)	1 546 249	107 236	42 207
Olav Fjell (Chairman)			150 000
Erik Klausen (Director and HSE manager)	1 479 901	96 524	41 393
Hege Wullum (Director)			100 000
Karen Sund (Director)			100 000
Nirav Dagi (Director)			100 000

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 5. Consultancy services of NOK 249 996 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 187 343 subscription rights as of 1 January 2015. During 2015 no subscription rights were exchanged into shares. On 14 December 2015, the Directors decided to distribute 110 743 subscription rights in accordance with the guidelines for remuneration of senior management.

The fair value of the subscription rights awarded, calculated according to Black & Scholes option pricing model, was

NOK 10 648 566. NOK 531 240 was expensed in 2015. At December 31 2015, the estimated amount of share-based remuneration cost yet to be expensed throughout the vesting period is NOK 1 355 558.

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	2015	2014
Outstanding as of 1 January	187 343	347 808
Awarded during year	110 743	78 991
Forfeited during year	0	0
Exercised during year	0	-239 456
Expired during year	0	0
Outstanding as of 31 December	298 086	187 343

Average gross exercise price is NOK 24 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 2015:

The Board established guidelines for 2015 for Managing Director, other senior executives and the Board members. The guidelines were processed at the company's annual general meeting in 2015 and described in the Concedo Annual Report 2014.

Managing Director and other Senior Executives

For the year 2015 subscription rights were allocated for the value equivalent to 25 % of the achievable target 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 16 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	16	9 574
Erik Klausen	16	9 163
Morten Hedemark	16	9 163
Ole H Fjellton	16	9 163
Odd E Baglo	16	9 163
Elisabet Malmquist	16	8 247
Enric Leon	16	5 356
Dirk van der Wel	16	5 498
Anders Finstad	16	7 798
Juergen Sclaf	16	8 034
Ane M Skaug Rasmussen	16	6 695
Hilde Alnæs	16	6 695
Tommi Rafael Rautakorpi	16	9 163
Total	16	103 712

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 2015 subscription rights for the equivalent of 25 % 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 16 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	16	2 342
Erik Klausen	16	0
Karen Sund	16	1 563
Hege Wullim	16	1 563
Nirav Dagli	16	1 563
Total	16	7 031

In total, 110 743 subscription rights were allocated in 2015 that can be exercised after 3 years and before 5 years, pursuant to Board Resolution of 14 December 2015 on the basis of the approved guidelines for 2015 and detailed conditions to be approved in the General Meeting 2016.

Guidelines for 2016:

At the annual general meeting in 2016, the Directors will present the following statement regarding pay for the CEO, other senior staff and the Directors in 2016:

(i) Basic pay:

Pursuant to the guidelines, basic pay shall be determined by the CEO based on what is considered 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 exceeds 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.

Auditor

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

	2015	2014
Statutory audit	262 000	180 000
Audit-related services	45 300	55 000
Certification services	15 000	0

Note 4

Tangible/ Intangible assets

	Furniture & Fixtures	Plant & Machinery	Purchases of licence interests, exploration wells	Total
Cost at 1 January	3 177 849	77 725	4 778 392	8 033 966
Additions	-	-	2 113 647	2 113 647
Expensed dry wells, previously capitalised			-4 082 322	-4 082 322
Disposals				
Cost 31 December	3 177 849	77 725	2 809 716	6 065 290
Acc. depreciation at 1 January	2 560 436	77 725		2 192 253
Current year's depreciation	456 423	-		456 423
Acc. Depreciation 31 December	3 016 859	77 725		3 094 584
Book value as of 31 December	160 990	-	2 809 716	2 970 707

Note 5

Share capital and shareholders

As of 31.12.15, 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	11 718 893	0.2073631	2 430 066
Total	11 718 893		2 430 066

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 and Directors	59 167	60	3 550 020	6th December 2011
Employees and Directors	29 407	47,5	1 396 833	14th December 2012
Employees and Directors	19 778	42	830 676	17th December 2013
Employees and Directors	78 991	22	1 737 802	11th December 2014
Employees and Directors	110 743	16	1 771 888	14th December 2015
Total	298 086		9 287 219	

The above figures include 26 770 subscription rights allocated to Geir Lunde, 25 624 to Erik Klausen, 6 949 to Olav Fjell, 4 634 to Karen Sund, 4 634 to Hege Wullum and 2 997 to Nirav Dagli in connection with the incentive scheme

Ownership structure

The ten largest shareholders as of 31.12.2015

Name	Quantity of shares	Percentage interest	Home country/ registration
H. M. STRUCTURES LIM	3 220 682	29.4 %	CYP
EUROCLEAR BANK S.A./	2 580 000	23.6 %	BEL
MEGABAS AS	2 176 449	19.9 %	NOR
HEATHLANDS HOLDINGS	503 967	4.6 %	CYP
PILGRIM GLOBAL ICAV	307 500	2.8 %	NLD
KNUTSEN JOHN ERIC TA	250 000	2.3 %	GBR
UBS AG	220 000	2.0 %	CHE
Six SIS AG	220 000	2.0 %	CHE
FJELLVIT AS	154 529	1.4 %	NOR
Gilbo invest	120 924	1.1 %	NOR
Other Shareholders	1 201 065	11.0 %	Miscellaneous
Total	10 955 116	100 %	

Concedo holds in addition to the above 763 777 (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 22,4% in Megabas AS	CEO	487 525
Erik Klausen through 16,4% in Megabas AS	Director	356 938
Geir Lunde	CEO	22 000
Nirav Dagli	Director	12 000
Erik Klausen through Catellas AS	Director	24 796
Karen Sund through Sund Energy AS	Director	2 307

Note 6

Equity

	Share capital	Treasury shares	Share premium	Other paid in capital	Other	Total
Equity at 1 January	2 430 066	-158 379	4 567 126	-	234 110 753	240 949 566
Subscription rights				531 240	-	531 240
Current year's profit/(loss)					-36 713 608	-36 713 608
Equity at 31 December	2 430 066	-158 379	4 567 126	531 240	197 397 145	204 767 198

The value of subscription rights expensed in 2015 of NOK 531 240 has been calculated according to the Black-Scholes formula.

The share capital at the end of the year is NOK 2 430 066 consisting of 11 718 893 shares at a nominal value of 0.207363131, including 763 777 treasury shares.

Note 7

Income tax

Income tax for the current year is calculated as follows:

	2015	2014
Adjustment for tax refund earlier years	15 858	108 125
Change in deferred tax	-3 024 899	-14 415 615
Tax value of exploration costs (See Note 8)	-123 141 360	-215 564 806
Tax on ordinary income	-126 150 401	-229 872 295

Reconciling nominal and actual tax rates:

	2015	2014
Pre-tax profit/loss	-162 864 009	- 273 299 217
Anticipated income tax at nominal rate (27%)	-43 973 282	-73 790 789
Tax effect of following items:		
Adjustment for tax earlier years	15 858	108 125
Non-deductible expenses	173 632	225 776
Non-taxable income	0	-6 750 000
Tax effect of interest on loss for carrying forward (51%)	-258 966	-220 093
Change in tax rate	-235 953	0
Effect of surtax (51%)	-81 871 690	-149 445 314
Income tax	-126 150 401	-229 872 295
Effective tax rate	77%	84%

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

	2015		2014	
	Deferred tax asset	Deferred tax liability	Deferred tax asset	Deferred tax liability
Exploration expenses and license costs		1 658 246		3 289 768
Provisions for liabilities				
Loss to be carried forward	19 062 386		17 669 009	
Total	19 062 386	1 658 246	17 669 009	3 289 768
Of which netted	-1 658 246	-1 658 246	-3 289 768	-3 289 768
Net deferred tax asset/ liability	17 404 140	0	14 379 241	0

Profit from oil and gas operations on the Norwegian shelf is taxed in accordance with the Norwegian Petroleum Tax Act. A special 51% (2014: 51%) surtax is levied in addition to the ordinary 27% (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. With effect from 1 January 2016 the Corporate tax rate is 25% (2015: 27%) and the special tax rate is 53% (2014: 51%). The tax rate effective from 1 January 2016 has been used in calculation of deferred tax at 31 December 2015.

Note 8

Bank deposits

Bank deposits, cash in hand etc. include non-distributable withheld tax in the sum of NOK 1 032 232 (2014: NOK 1 013 381) and a rental deposit of NOK 947 120 (2014: NOK 938 173)

Note 9

Other receivables

For the 2015 tax assessment the company claims reimbursement of the tax value of petroleum exploration costs totalling NOK 123 141 360 (2014: NOK 215 564),

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 10

Leasing agreements

Annual rental for non-capitalised assets amounts to NOK 1 468 589 (2014: 1 260 946), 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 2 years.

Note 11

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 2.2%.

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. Concedo signed in 2015 an option agreement for extension of the utilization until the end of 2018.

As of 31 December 2015 withdrawals totalled NOK 119 752 859. According to the loan agreement, 95% of the estimated tax reimbursement amounts to NOK 116 984 292. The withdrawals exceed the maximum permitted by NOK 2.768.567 as of

31.12.2015. This amount will be repaid at the next loan withdrawal (Utilisation) date before 31.03.2016. We have calculated the tax reimbursement as being NOK 123 141 360 see notes 7 and 9.

The loan is secured by the tax reimbursement scheme and pledges in 20% in PL 531, 20% in PL616, 20% in PL629, 30% in PL 759, 30% in PL737s, 30% in PL727 and 20% in PL670. Under the loan agreement a mortgage is given on the company's offshore insurances relating to exploration activities. According to the company plan the loan agreement has been renegotiated in the beginning of 2016. All pledges in licences will be deleted in the new loan agreement, but will be exchanged with a general pledge in Concedo.

Note 12

Other current liabilities

	2015	2014
Working capital liabilities in joint ventures	0	1 895 322
Wages, holiday pay and bonus	1 873 949	1 827 065
Accrued expenses	288 800	9 075 626
Other current liabilities	96 840	96 840
Total	2 259 589	12 894 853

Note 13

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 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 14

Exploration costs

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

	2015	2014
Payroll costs, ref note 3	22 101 208	21 326 864
Seismic, drilling and general license expenses	126 093 317	265 747 998
Other operating costs linked with exploration	12 565 822	12 744 228
Total	160 760 348	299 819 089

Exploration expenses eligible for tax refunds amount to NOK 157 873 538 in 2015 (2014: NOK 276 365 136).

Note 15

Licences

Licence activities in 2015:

PL393B (20%): the Licence is relinquished.
PL 616 (20%): The Haribo well was drilled in 2015 and was dry. Further work in the licence is ongoing.
PL 629: the Licence is relinquished.
PL 645: The Licence is relinquished.
PL 670: Relinquished February 2016.
PL 670B: Relinquished February 2016.
PL 697 (10%): Acquisition of 10% licence share from ENI.
PL 727 (30%): Prospect mapping and evaluation is ongoing based on new 3D seismic. Applied for two years extension.
PL 737s: Relinquished February 2016.

PL 746s (30%): Prospect mapping and evaluation is ongoing. Applied for one year extension.
PL 759: Relinquished February 2016
PL 768 (25%): 2D seismic has been acquired. Prospect mapping and evaluation is ongoing. One year extension of licence.
PL 769: Relinquished February 2016
PL 774 (30%): Study of G&G is ongoing.
PL 775 (20%): Reprocessing of 3D seismic is ongoing. Two years extension of licence.
PL 776 (20%): Drilling decision made in February 2016. Planning drilling of well on the Rome prospect in 2016.

Note 16

Subsequent events

Concedo was awarded five licenses in APA 2015:

North Sea

PL 774 B (30%): in the blocks 16/10. The work programme as for PL774. Tullow is operator.

PL 815 (20%): in the blocks 16/5. The work programme includes reprocessing of 3D seismic and drill or drop decision after one year. Lundin is operator.

PL 816 (30%): in the block 17/4, 7. The work programme includes acquisition of 3D seismic, and drill or drop decision after two year. Eni is operator.

PL 824 (30%): in the block 31/4, 5. The work programme includes to acquisition of 3D seismic, and drill or drop decision after two year. Pure is operator.

PL 826 (30%): in Blocks 29/3, 30/1 og 33/12. The work programme includes reprocessing of 3D seismic and drill or drop decision after three years . Pure is operator

Barents Sea

PL 768 B (25%): in Block 7122/8, 9. The work programme as for PL 768. Two years before drill or drop decision. Winthershall is operator.



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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, showing a loss of NOK 36.713.608. The financial statement comprises of the balance sheet as at December 31, 2015, and the income statement, 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, 2015, 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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Registrert i Foretaksregisteret
Medlemmer av Den norske Revisorforening
Organisasjonsnummer: 980 211 282



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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 and in 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 10, 2016
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 Director of market and organisation of Abelia. 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.



NIRAV DAGLI

Nirav Dagli, Director, is managing partner of Spinnaker LLC and founder and CEO of Spinnaker Analytics. 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 2015



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.



ODD EIRIK BAGLO
Chief Geophysicist

Geophysical adviser, has wide experience in exploration activities and seismic interpretation. He graduated in applied geophysics from the University of Oslo in 1989.



ENRIC LEON
Senior Geologist

Geologist, has experience in exploration activities. He graduated as a geologist from Barcelona University in 1992. He took his Master's degree in petroleum geology/geophysics at the University of Oslo in 2007.



DIRK VAN DER WEL
Principal Production Geologist

Principal production geologist in reservoir evaluation, has experience in prospect valuation, reservoir evaluation and applied geostatics. He graduated in geology and mineralogy from the University of Oslo in 1974.



ANDERS G. FINSTAD
Senior Geophysicist

Senior geophysicist, has 15 years of experience in the oil industry. He graduated from Royal School of Mines, London and University of Oslo.



OLE HERMAN FJELLTUN
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 with in exploration covering the whole Norwegian shelf. Elisabet graduated with a MSc degree in Geology from Stockholm University in 1983.



HILDE ALNÆS
Senior Geophysicist

Hilde Alnæs has a broad background in geology and geophysics from the University of Tromsø, Svalbard, and the University of Oslo where she holds a Master's degree in Applied Geophysics.



TOMMI RAUTAKORPI
Senior Geologist

Tommi Rautakorpi has his academic background from Åbo Akademi University and University of Oslo. He has 15 years of experience from the industry, covering both mineral and oil exploration.



ANE MARTA SKAUG RASMUSSEN
Senior Geologist

Ane Rasmussen has a master's degree in petroleum geology and geophysics at the university of Oslo. Her experience is exploration and prospect evaluation, applications for both numbered and TFO concession rounds as well as licence work on the Norwegian continental shelf.



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