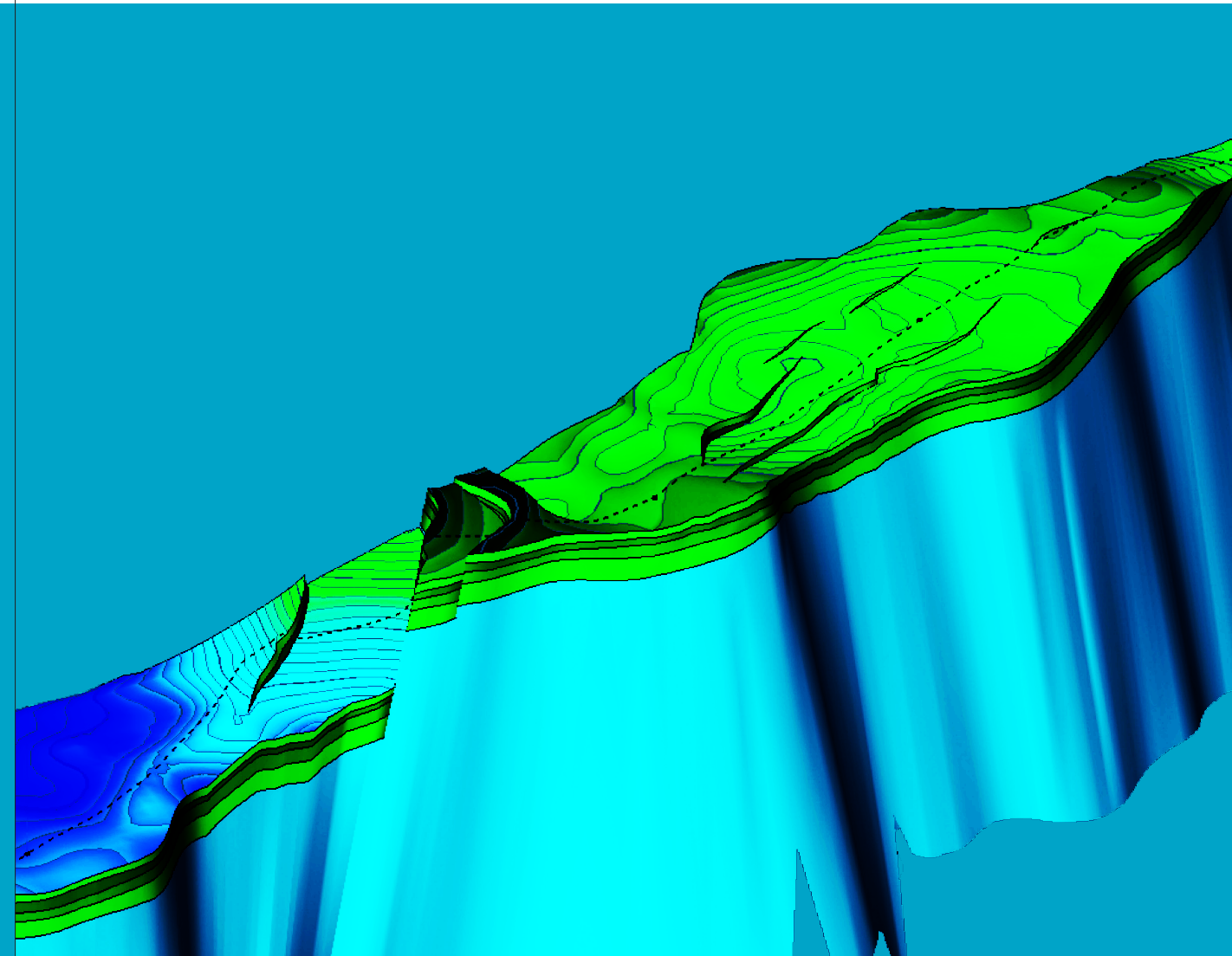


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# ANNUAL REPORT 2010



## PRESENTING CONCEDO

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Concedo is a Norwegian oil company that focuses on exploration. The company has adopted a different stance from that of most other oil companies on the Norwegian Continental Shelf. We prefer to act as a highly skilled partner within exploration, rather than striving to become an operator. Our strategy has given results by generating value from our position as partner.

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Concedo has begun to consolidate this success and has turned possibilities into discoveries. Together our team has a wealth of knowledge and experience of the Norwegian Continental Shelf and the company is of a size that allows it to operate in a highly efficient manner.

During 2010 Concedo had nine exploration licences; seven on Haltenbanken, one in the North Sea and one in the Barents Sea. In 2008 Concedo made its first gas discovery in the Galtvort prospect and in 2009 oil was discovered in the Gygrid prospect. The drilling success continued in 2010 with the Maria oil discovery, one of the largest discoveries on the Norwegian shelf during the year. Concedo also realised its first income by the sale of PL 348 to Statoil, which will result in a positive bottom line this year. Thus Concedo's business strategy has proved successful.

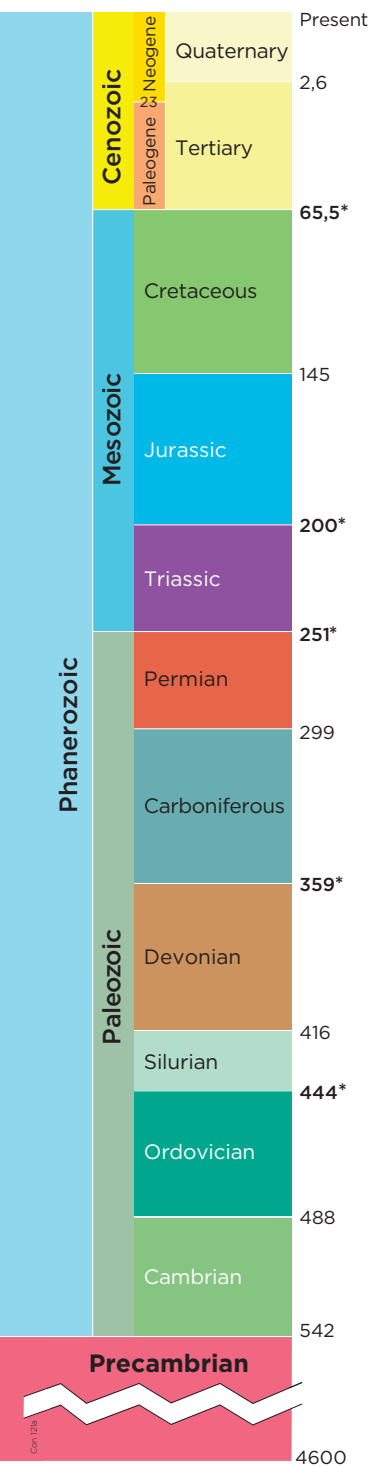
Concedo ASA was established in 2006 and in the same year moved into new, modern offices in Asker, a favourable location for attracting the best experts. Our staff have been involved in many viable discoveries on the Norwegian shelf during the past 30 years. Huge potential resources on the Norwegian shelf, favourable framework conditions and access to good data and technologies enable Concedo's staff to contribute towards making new discoveries.

The company's ambitions are to participate in drilling one or two exploration wells each year, to establish itself as one of the best exploration environments on the Norwegian shelf and to become an important contributor in one of Norway's greatest challenges: making new discoveries that will secure production of oil and gas from the Norwegian shelf for many years to come.

Concedo realises its share of these values before the development phase. We will concentrate on exploration and not participate in the risks that costly development projects involve.

concedo

# JOURNEY THROUGH THE DEVELOPMENT OF LIFE



**Precambrium (4600 – 542 million years ago)**  
The oldest traces of life are 3.5 billion years old, unicellular organisms found in sedimentary rock. Multicellular organisms, including multicellular algae, evolved almost 3 billion years later.

**Paleozoic (542-251 million years ago)**  
The earliest forms of life evolved in the sea, migration to the surface could take place only gradually as ozone-forming oxygen was produced through algal photosynthesis. Cambrian and Ordovician strata are characterised by marine fossils such as trilobites, corals and squid. Primitive plants and the first animals appeared on land 410 million years ago. Fish developed rapidly in the Devonian period and the early amphibians crept up on land. During the Carboniferous climate became wetter and warmer and forest swamps were formed, which later became thick coal seams. Mammal-like animals developed during the Permian. Towards the end of that period the temperature rose, sea level sank and thick salt deposits were formed in some confined, shallow sea areas. At the same time approximately 90 per cent of all marine animal life died out in the course of a 10-15 million years time period.

**Mesozoic (251-65.5 million years ago)**  
Sea level rose again in the Triassic, new species appeared and existing species, such as molluscs, developed rapidly. Foraminifera and ammonites underwent rapid diversification and are important when dating sedimentary strata in connection with oil exploration. Dinosaurs and lizards were the predominant forms of life on earth for 180 million years. The first mammals appeared on the scene.

The majority of the fields on the Norwegian shelf produce oil and gas from Mesozoic strata.

**Cenozoic (from 66 million years ago to the present day)**  
After the dinosaurs became extinct an explosive development of land mammals started. Ammonites and many micro-organisms vanished from the sea, but nevertheless marine diversity grew. Many geologists consider that change in the environment at the transition from Mesozoic to Cenozoic times may have been caused by one or more meteorites colliding with earth.

\*The five main mass extinction events  
(Source: material from Natural History Museum, University of Oslo, abbreviated and adapted)

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DEVONIAN

251-200  
TRIASSIC

200-170  
EARLY AND MIDDLE JURASSIC

In search for oil, Concedo encounters five billion years of history. The oil fields on the Norwegian Continental Shelf produce oil from strata that reflect virtually the whole of the earth's geological evolution.

## THE HARVEST IN 2010

Concedo continued to concentrate on exploration and results were not long in coming. 2010 was a highly successful year for Concedo.

Every year since the company's prequalification as a licensee on the Norwegian shelf in 2007, it has been allocated interests in licences in the annual licensing rounds APA 2007, APA 2008, APA 2009 and APA 2010. In addition the 20th licensing round gave results. The wells drilled proved that our prospects were up to standard – hydrocarbon deposits were found in three of the four prospects.

The year started with allocation of PL 561 in APA 2009. Concedo received good feedback from the Norwegian

Petroleum Directorate, which found the application very satisfactory. This licence is just north of the Dompap Field in an open area that was recently relinquished. The work programme involves interpretation of 3D seismic and a decision to drill or relinquish the area must be made in 2012.

The oil discovered in the Gygrid prospect in 2009 and the smaller gas deposit Galtvort in PL 348 gave fine possibilities of realising values. In the first quarter we worked on

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**Morten Hedemark**

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



**Ole Herman Fjelltnun**

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.



**Nils Fagerland**

Exploration adviser, has more than 30 years experience in exploration activities in the fields of structure geology and seismic interpretation. He graduated in geology from NTH, the Norwegian university of science and technology, in 1971.



**Elisabet Malmquist**

Geological adviser, has 25 years experience as a geologist in exploration activities. Elisabet graduated in geology from the University of Stockholm in 1983.



**Odd Eirik Baglo**

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**

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**

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



**Anders G. Finstad**

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

For detailed information with regards to management and staff, see our web site: [www.concedo.no](http://www.concedo.no)

## CONCEDO'S BUSINESS CONCEPT WAS REALISED FOR THE FIRST TIME – SEARCH, FIND AND REALISE.

development plans for the licence in parallel with preparations for selling it. The development plans for Gygrid can give one of the quickest satellite projects as a tie back to existing infrastructure on the Haltenbanken.

Concedo established a special electronic data room to which potential buyers had access via internet. Statoil, the operator for the licence, submitted the best bid and a sales contract was concluded in April. Both Statoil and Concedo were well pleased with the deal. Concedo's business concept was realised for the first time – explore, find and realise. This gave a positive financial result in 2010 and a good starting point for further exploration activities.

Concedo was awarded PL 475 in APA 2007 and PL 475BS in APA 2008, both of which are in central positions on the Haltenbanken. In August 2010, a well was drilled in a Jurassic prospect near Smørbukk South, one of the Åsgard fields. When it proved that the Maria prospect contained 63-126 million barrels of recoverable reserves, the ship's bell in Concedo's offices rang out once more. Work on the licence commenced immediately to form the grounds for a future development plan. The reservoir is in an ideal position if the licence group decides on development as a satellite to a nearby field, instead of independent development. This gives exciting possibilities for Concedo and further strengthens our chosen business concept.

Concedo was awarded PL 531 in the 20th round. Here we have interpreted 3D seismic and a dense grid of electromagnetic data. We identified a number of anomalies in the data that may be related to hydrocarbons. The drilling site will be chosen in the course of 2011 and drilling will prob-

ably take place in 2012. Partners and their interests in the licence are: Marathon 30% (operator), Talisman 25%, RWE Dea 25% and Concedo 20%. Concedo believes that finds will also be made in other licences awarded in this area and it looks very promising for a future field centre in the area north-west of Snøhvit.

Licences in APA 2010 were allocated by the Ministry of Petroleum and Energy in January 2011. Concedo was awarded four licences, two in the North Sea and two off Mid-Norway. Concedo was highly gratified by feedback from the Petroleum Directorate regarding its applications.

40% was awarded in PL 576, with Lundin as operator. This licence is in blocks 30/9 and 31/7, directly south of the Brage Field, a central location in the North Sea. Reprocessing of 3D seismic and geological studies are to be carried out within two years. We were also awarded a 30% interest in PL 588 north-east of the Draugen Field, with Rocksource and V&G as partners. G&G studies are to be carried out within one year before deciding whether to drill or relinquish the area. The other two licences are additions to licences already held by Concedo - PL475 CS on Haltenbanken and PL 370 BS in the North Sea.

Preparations for drilling in PL 434 were made in 2010 and a well will be drilled in 2011. If a find is made, this too will be ideal for satellite development, only 8 kms from the Heidrun Field. Statoil is operator for Heidrun and will then have a potential possibility of extra capacity, prolonging the life of the field.

# DISCOVERIES THREE YEARS IN A ROW

The search for hydrocarbons has a great deal in common with criminal investigation work – at least judging from the stories about Sherlock Holmes, Hercule Poirot, Columbo, Derrick and the more modern CSI (Crime Scene Investigation). Outwardly these detectives may seem dull and boring, but they are observant and take note of all kinds of hints that may lead to a solution.

Similarly painstaking work on seismic, well data and other information puts Concedo's "investigators" on the track of oil. The "crime scene" must be thoroughly mapped out, followed by logical reasoning and various scenarios for what may have taken place many millions of years ago. Just as in the world of crime investigation, the combination of extensive experience and shrewd application of new technology can be the winning formula.

#### Concedo's detectives

In 2010 Concedo discovered hydrocarbons for the third year in a row. Following the discovery of gas in Galtvort in 2008 and of oil in Gygrid in 2009, came the substantial discovery of oil in Maria in the summer of 2010. All of these discoveries were made on Haltenbanken off the coast of Mid-Norway. Particular praise for the Maria discovery must go to Elisabet Malmquist and Odd Baglo, as well as Odd Helge Hatland in the operator company. Just as in popular detective stories, success is often the result of efforts on the part of individual members of the team.

During 2010 it also became clear that Gygrid would probably be commercial and could be tied in to the Njord Field. A Gygrid development will probably extend the life of the

Njord Field by several years. Similarly, it seems that the Maria discovery will be commercial and could possibly be tied in with one of the existing fields in the Haltenbanken area. It is estimated that production could start late in 2015 or early in 2016.

#### Our strategy works

In 2010 we also managed to demonstrate Concedo's business model in full, in that licence PL 348 (Galtvort and Gygrid) was sold to Statoil. This resulted in Concedo returning a profit in 2010. In keeping with our strategy, we will also sell the Maria discovery before the field is developed.

The company has adhered to its original, prudent exploration strategy of drilling one or two wells a year. We have managed to prove resources at low cost and build up a licence portfolio with good prospects for the coming years.

#### Intensive work year

Two prospects have matured towards drilling in 2010 – the Ronaldo prospect (PL 434 near the Heidrun Field on Haltenbanken), where drilling will take place in the first



quarter of 2011 and the Kakelborg prospect (PL370 near the Snorre Field in the northern North Sea), where drilling will take place early in 2012. Drilling decisions have been made and drilling rigs procured for both of these prospects. Both prospects have considerable potential in case of oil discoveries.

2010 was a year of steady hard work for Concedo's employees, work that resulted in good applications for licensing rounds - APA 2010 (Awards in Pre-defined Areas) that resulted in the award of interests in four licences. The 21st licensing round awards will be made in the first half of 2011. In September Concedo also hosted the exploration managers conference, which was held on the Norwegian coastal cruise ship Polarlys from Trondheim to Tromsø.

#### New technology

In the course of the year the company tested out and used several new technologies that may help us in our search for hydrocarbons. We have continued building on the special GIM technology for seismic, collected and analyzed exclusive electromagnetic data by Petromarker, used electromagnetic data from EMGS, and participated

in seabed sampling and analysis of hydrocarbon content. We are especially interested in the GORE technology, using Goretex to collect and analyse hydrocarbon components on the seabed with extremely low concentrations.

In November 2010 Anders Finstad started work for Concedo as senior geophysicist. He played a key role in developing the GIM technology in GeoCap and will ensure that we will gain the utmost benefit from use of this tool in the future. Concedo is well on the way to achieving its aim of being one of the best exploration teams on the Norwegian continental shelf.

Now at the end of 2010 I feel that there are good grounds for being grateful for what we have achieved and for believing that the work performed in the past year will result in our "finding the solutions to a number of unsolved cases" in the coming years.

Geir Lunde  
CEO

# PORTFOLIO

## PL 434

A 21% interest was awarded in APA 2006, obtained through an agreement with Revus (now Wintershall) and Nexen. A decision has been made to drill a well in the Ronaldo prospect in the first quarter of 2011.

## PL 475 + 475 BS

Concedo holds a 10% interest in these two licences. In connection with APA 2007, Concedo was awarded a 20% interest in PL 475 and the following year a 20% interest in PL 475 BS. In the course of 2009 a swap was made with a 10% interest in PL 475/ PL 475 BS for 10% in PL370. The drilling that took place in the Maria prospect during summer 2010 resulted in a substantial oil discovery.

## PL 475CS

In the APA 2010 round Concedo was awarded PL 475 CS, which is an extension of PL 475. Partnership is the same as for PL 475 and PL 475 BS. The work programme is for PL 475 BS.

## PL 485

Concedo holds a 15% interest in this licence. Interpretation of reprocessed 3D seismic is taking place to map the prospectivity of the licence. A decision on whether to drill or to relinquish must be made during February 2011.

## PL 531

This licence was awarded in the 20th licensing round and Concedo holds a 20% interest. It is Concedo's first licence in the

Barents Sea. Drilling location will be chosen in 2011 and a well will probably be drilled late 2012.

## PL 370

Concedo acquired an interest in this licence through a swap with Wintershall. Concedo reduced its share in PL 475/475 BS on the HaltenBanken by 10% in return for a corresponding share in PL 370 in the North Sea. During 2010 Concedo increased its share to 20%. This licence is in the vicinity of the Snorre Field. A decision to drill an exploration well has been made and drilling is expected to commence in the first quarter of 2012.

## PL 370 B

PL 370 B is an extension of PL 370, which Concedo was awarded in APA 2010. Partnership is the same as for PL 370. The work programme and decisions are the same as for PL 370.

## PL 561

Concedo was awarded this licence in APA 2009, with a 20% interest. The area extends over the two blocks 6608/7 and 6608/8. PL 561 is about 30 kms north-east of the Norne Field and in the vicinity of the Dompap discovery. A drilling decision must be made in the course of February 2012.

## PL 348 (divested)

Concedo acquired a 5% interest through a trade with Endeavour Energy Norge AS (now VNG Norge AS). A small gas find was made in 2008 in the Galtvort prospect and

in June 2009 oil was discovered in the Gygrid prospect. In 2010 extensive evaluation was carried out for this licence and a decision to develop Gygrid as a tieback to the Njord Field was made. In August 2010 Concedo sold its 5% interest to Statoil. Through sale of this interest Concedo's business strategy was proved for the first time.

## PL 383 (Relinquished 2010)

A 15% interest was obtained through a swap with Det Norske Oljeselskap. Drilling took place in a prospect near the Skarv Field in 2009, but it was a dry well. Thorough studies of other prospectivity in the licence were performed, before a decision was made to return the licence to the authorities.

## PL 576

In APA 2010 Concedo was awarded a 40% interest in PL 576. The licence is in blocks 30/9 and 31/7, due south of Brage. Lundin, the operator, holds a 60% interest in the licence. A decision on whether to drill or relinquish must be made within two years from the date of the award.

## PL588

In APA 2010 Concedo was also awarded a 30% interest in PL 588. The licence is in block 6407/9, due north of Draugen. Licence partners are Rocksource as operator with a 40% interest and VNG with 30%. A decision on whether to drill or relinquish the licence must be made within one year from the date of the award.

170-145

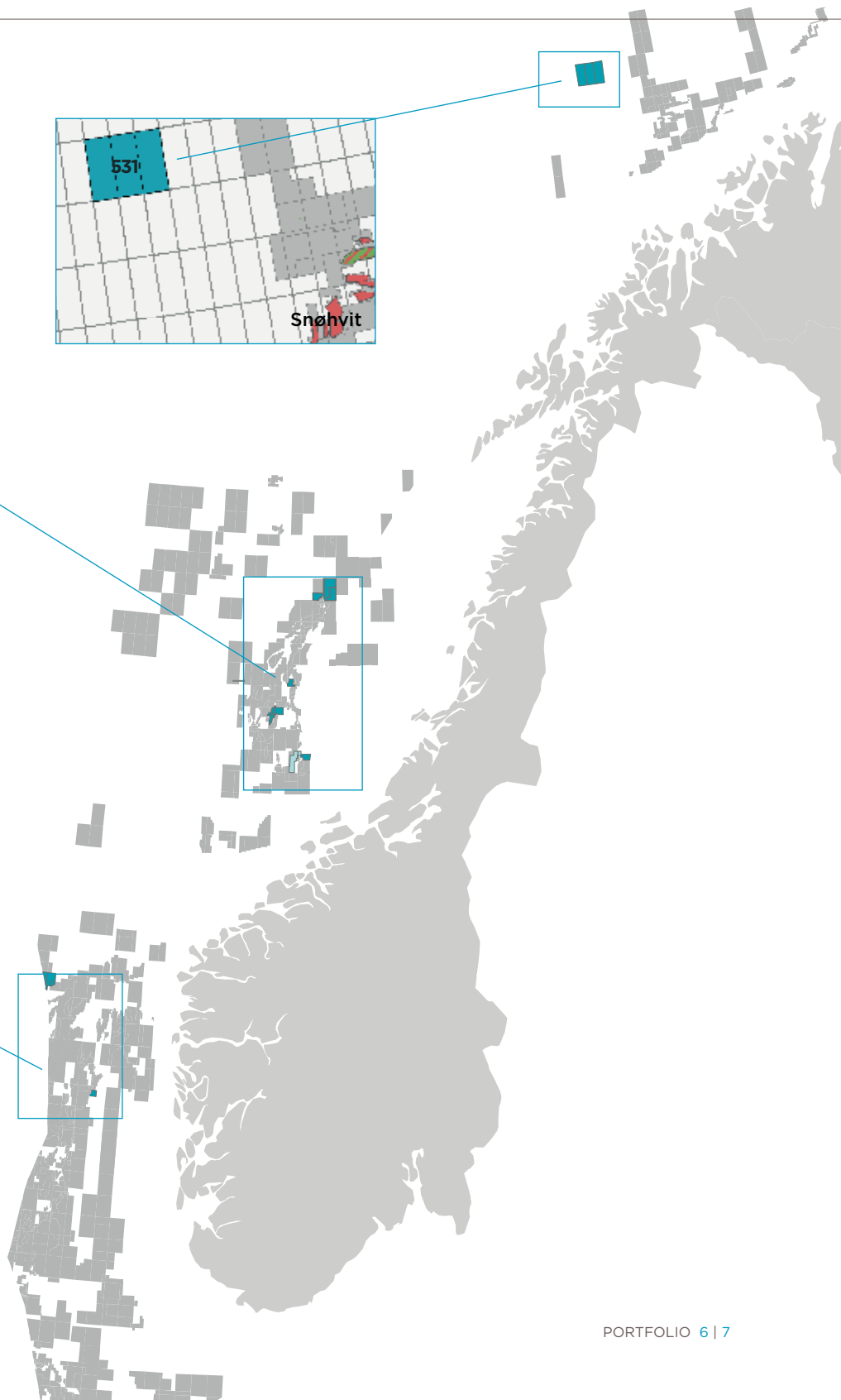
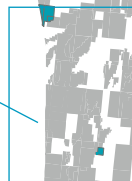
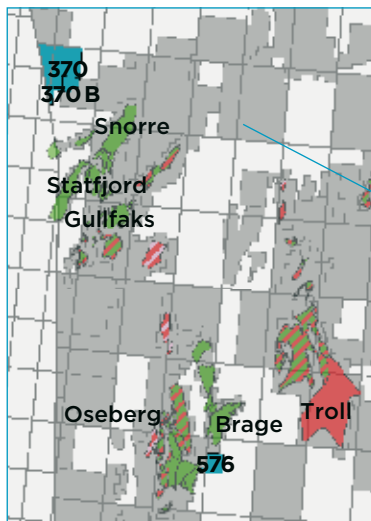
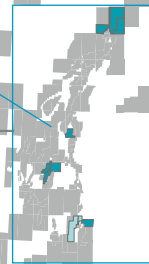
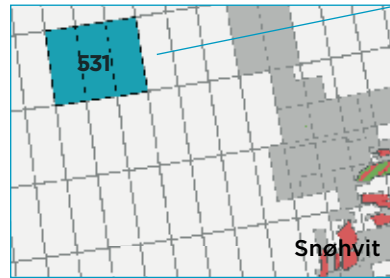
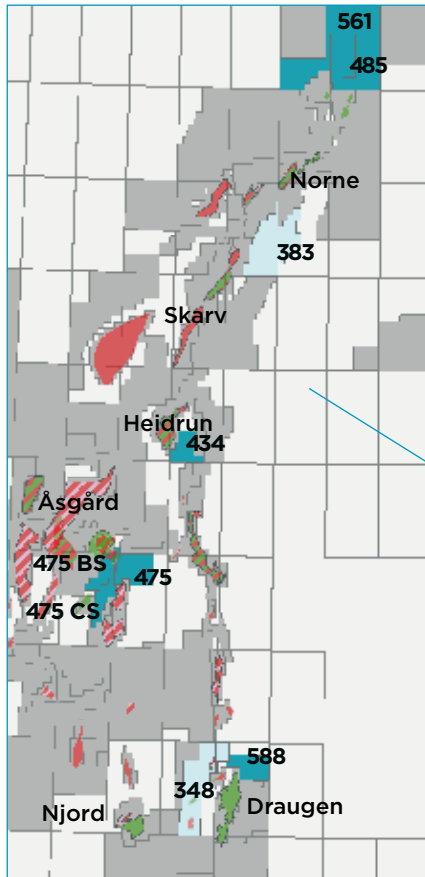
MIDDLE AND LATE JURASSIC

145-65

CRETACEOUS

65-3

PALEOGENE



# THE MARIA PROSPECT BECAME AN OIL DISCOVERY

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Concedo made one of the largest oil discoveries on the Norwegian Continental Shelf in 2010. Field development may be tied into existing infrastructure.

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Exploration well 6406/3-8T2 in PL 475 BS was completed during the summer 2010, and the second oil discovery by Concedo became a reality. Maria is only 20 kilometers south-east of the Åsgard Field, in an optimal position for subsea development. It has a volume of 10-20 MSm<sup>3</sup> (63-126 million barrels) recoverable oil reserves and is considered to be one of the largest discoveries of the year on the Norwegian shelf. Once again the discovery of oil was marked by the wonderful clang of the ship's bell in the office.

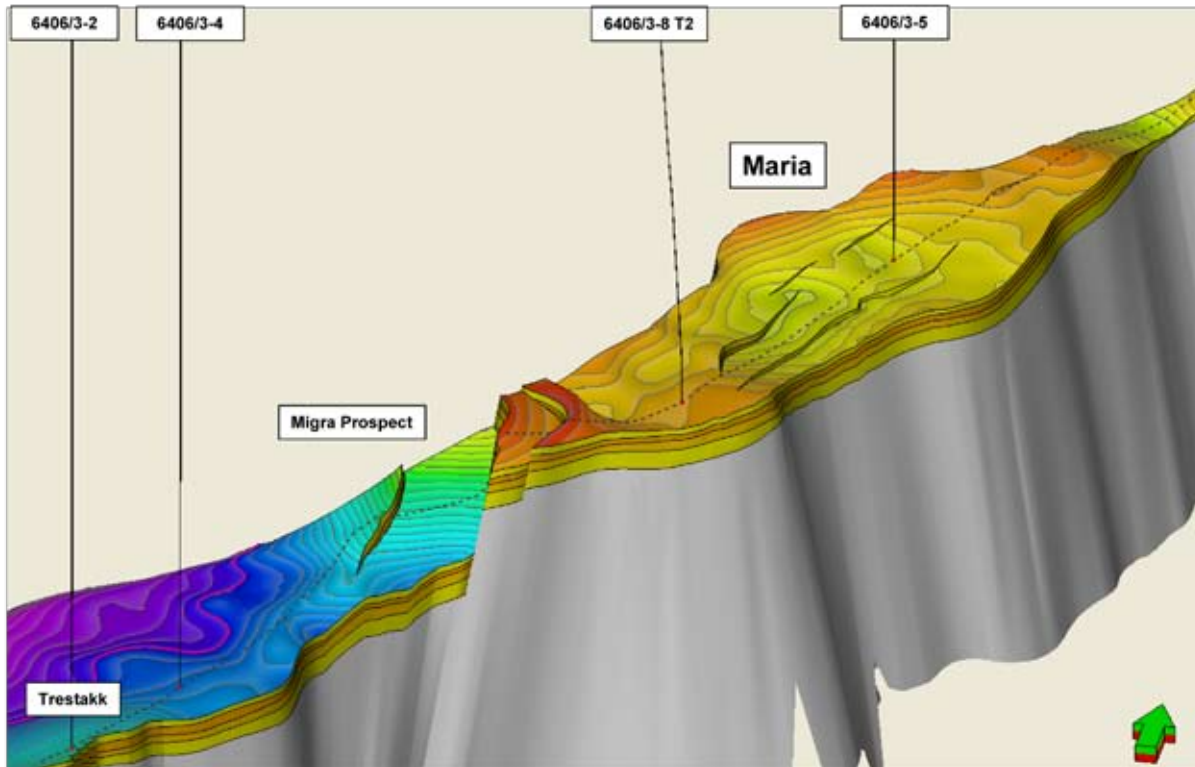
Earlier, this area was licensed under PL 091 C with Statoil as operator. When it was relinquished in February 2008 the PL 475 licensees wasted no time and applied for an additional area in the APA licensing round that same year. We were awarded PL 475 BS on 23 January 2009. Winterhall became operator and the other licensees were Faroe Centrica, Spring and Concedo.

## New information by 3D data

The Maria prospect is defined by a horst structure at the Jurassic level and lies between the Trestakk and Smørbukk Sør fields. At an early stage the interpretation of exploration well 6406/3-5 resulted in the interest for the prospect. The well had been drilled by Statoil in 1988, when the mapping of the prospect and selecting the well location were based on seismic 2D data. Interpretation of new 3D data showed that the well was drilled in the deepest part of the horst. In addition, petrophysical analysis showed high oil saturation in the upper part of the reservoir (10-15 m of the Garn formation). It was possible that the well had struck or was near an oil-water contact. When well 6406/3-8T2 was drilled farther south in the prospect, this was confirmed.

Well 6406/3-8T2 was spudded on 9 May 2010. Due to the presence of shallow gas, a re-spud was necessary. Drilling of a side track also became necessary in the shallower part of the Tertiary sequence of strata because the well was losing large quantities of drilling fluid to surrounding formations.

The reservoir in the Garn formation was encountered near the predicted depth and a substantial oil column was proven. Coring took place through almost the whole of the oil-bearing interval, and an extensive logging programme was carried out. Also deeper reservoir rocks in



THE RESERVOIR IN THE GARN FORMATION WAS ENCOUNTERED AT THE PREDICTED DEPTH AND A SUBSTANTIAL OIL COLUMN WAS PROVEN.

the Ile and Tilje formations were penetrated, but they were water bearing.

#### Considering divestment

The Maria discovery is an important value-generating event for Concedo. The company updated its geological model, and a reservoir simulation model was completed towards the end of the year. This will reduce the uncertainty in calculating recoverable volumes and provide a basis for development plans.

On behalf of the licence, the operator has sent enquiries to nearby fields that may be of interest with regard to future development of the Maria discovery by linking up with existing infrastructure. In accordance with Concedo's business model, its interests in the licence will be divested before development commences.

359-359  
DEVONIAN

251-200  
TRIASSIC

200-170  
EARLY AND MIDDLE JURASSIC

ON BOARD  
HURTIGRUTEN:  
“WE ARE ALL IN  
THE SAME BOAT”

Troll, Oseberg, Sleipner, Åsgard, Maria, Gyda, Draugen, Ula, Varg, Fram

Concedo hosted this year's conference for all exploration managers on the Norwegian shelf, providing a pronounced technical programme. All exploration managers responsible for the Norwegian Continental Shelf with companions and guests were invited to a 3 day conference from 16 to 19. September on board on the ship M/S Polarlys.



Altogether the conference was attended by 35 exploration managers, one representative from the Norwegian Ministry of Petroleum and Energy, two representatives from the Petroleum Directorate, one representative from the Norwegian Oil Industry Association (OLF), four guests and 23 companions. The organising committee consisted of a technical programme group headed by Geir Lunde from Concedo and a logistics group consisting of three representatives from Concedo (Dirk van der Wel, Ole Herman Fjelltun and Geir Lunde).

After the welcoming speech by Geir Lunde, the technical programme started with a presentation on "Onshore-Offshore Geology from Trondheim to Tromsø" by Roy Gabrielsen. A session on "New Exploration Acreage" was opened by Geir Lunde, followed by presentations by Finn Roar Aamodt on "Management Plan for Lofoten and the Barents Sea - what now?", Sissel Eriksen on "Petroleum Geology of the Lofoten and Barents Sea-North Area" and by Terje Sørenes on "Valuing the undiscovered petroleum resources in Lofoten Vesterålen".

A presentation by Roy Gabrielsen concerning research projects of relevance for exploring the Norwegian shelf. A session on "New research and talent" consisted of two presentations by Roy Gabrielsen: "Industry, University

and Students: The Norwegian petroleum industry: Will its future be entirely based on international recruitment?" and "Industry and R&D: Cooperation between the petroleum industry and academia seen in a historical and future perspective." The session ended with four working groups, each discussing a theme selected from the presentations in the two sessions, and a plenum discussion of the groups' conclusions. A presentation of "Business, history and culture along the coast", given by Nils Petter Beck from DnBNOR, and a short briefing on Norwegian geology along the fairway, given on deck by Roy Gabrielsen, rounded off the last day on board.

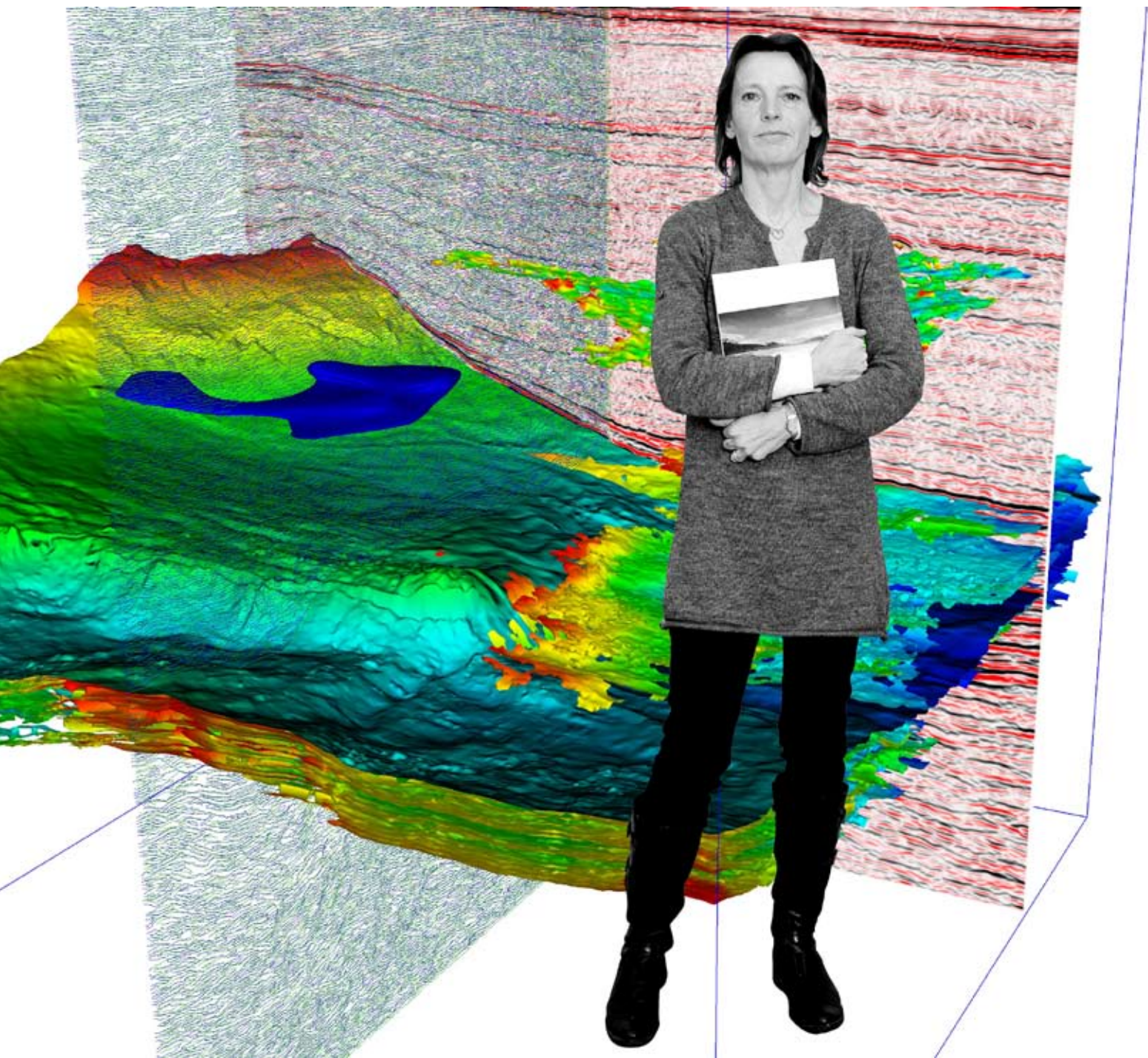
A separate programme was arranged for those accompanying the participants, which among other things included a quiz concerning the coastline between Trondheim and Tromsø and a Rib Safari to Saltstraumen, a strait with the world's strongest tidal current. Throughout the voyage the participants experienced bright sunshine and calm seas, giving all participants a most enjoyable experience in addition to the professional events.

In Tromsø the conference came to a close with a guided tour to Polaria and a dinner. During dinner it was announced that Statoil ASA will host next year's conference.

416-359  
DEVONIAN

251-200  
TRIASSIC

200-170  
EARLY AND MIDDLE JURASSIC



# STILL NEW DISCOVERIES LIE AHEAD

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"An interesting life in the field of seismic interpretation, writes Elisabeth Malmquist, geologist."

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In the Concedo team, geologist Elisabet Malmquist plays an important role in exploration for hydrocarbons. One of the core activities in the process of exploration is seismic interpretation, a key element in order to evaluate prospects of hydrocarbon reservoirs.

Elisabet holds a Master's Degree in Geology from the University of Stockholm and has many years' experience from exploration on the Norwegian Continental Shelf. In this article, she tells us the story of some of her exciting experiences in the field of exploration.

"I have worked as a geologist in the oil industry for 25 years. This work included seismic interpretation and prospect evaluation. This has been a very interesting and exciting journey.

When I started in Saga Petroleum in the eighties we performed seismic interpretation using seismic paper sections. Only two dimensional seismic data were available, at least in the exploration phase. At that time we had large interpretation tables upon which we placed the seismic sections together with coloured pencils, rubber and pencil-sharpener. I can still recall the sound of electric pencil-sharpener in the interpretation room.

It was a big step forward when the first computer-based work station for seismic interpretation was introduced in

the early nineties, such as the Charisma work station. The work became much more time effective. We could test different interpretation solutions by flipping rapidly between in-lines and cross-lines on the screens. The interpreter could now see the map grow gradually with every interpreted line added to it. It was really a step forward when the computer invaded our work.

The first Concession Round I worked with was the 11-A Round in 1986/87. I was involved in evaluating the prospectivity of the Finnmark West area in the Barents Sea. I mapped out two promising structures called Bamse and Binne in blocks 7124/3 and 7125/1. We then applied for the area which resulted in Saga receiving the operatorship for PL 135.

After further evaluation, followed by discussions with the licensees, Saga went out into the unexplored ocean area with the semisubmersible Ross Rig. I was given an opportunity to travel out to the rig a couple of days before the drill bit was expected to reach the reservoir. I well remember landing at Hammerfest airport on the flight from Oslo in the afternoon. It was almost daylight all night and the following morning a helicopter would take me to my destination – the Bamse prospect, well location 7124/3-1. I relaxed with the sound of Chick Corea "On the beach" from the headphones. I enjoyed the flight over the giant dark sea, which lasted for about 45 minutes, heading



Ross Rig (Bamse)



Sinai (analogue to the Borg field)

north. Safely on the rig deck, I was told by the rig crew that the well had penetrated most of the lower part of the Cretaceous interval. The drill bit was just above the Base Cretaceous level when drilling was stopped to set next casing.

Our main target was to find oil in the Middle Jurassic Stø Formation. Before reaching the target I wanted to learn as much as possible. I was curious about the work and equipment on the rig and asked the operation geologist about the cuttings and the rig manager how the drilling was performed. I also went to the drill deck to see the drill pipe rotating and out on deck to look at all the casing equipment.

The next day I heard that there was something wrong with the BOP (Blow Out Preventer). It was necessary to bring it up and repair this important safety equipment. This resulted in an unpredicted number of days waiting before reentering the borehole. I was very concerned about the progress as I still wanted to be on the rig when the reservoir in Bamse was reached.

Unfortunately, I had to leave the rig before the BOP was repaired. Approximately a week after I came home, our exploration manager at that time, Hans Christian Rønnevik, was being interviewed on the NRK evening news. He smiled proudly, holding a part of the drill core in his hand; it smells oil, he said. There were obvious signs of oil which generated a lot of excitement.

However, we found out later that it was mainly residual oil. The Early Jurassic Tubåen Formation was penetrated below Base Cretaceous and there was no Stø Formation. The amounts of oil and gas still left were too small to be commercial. The "Bamse reservoir" had once been filled with oil; however, the hydrocarbons had escaped through barrier faults due to the enormous pressure released by the huge Tertiary uplift followed by erosion, the so called "Champagne effect".

#### Discovery in late Jurassic

Another thing I remember was when interpreting the area just west of the Snorre Field in block 34/7. I mapped out an Upper Jurassic prospect where there were possibilities of sand in the usually shaley Draupne Formation. We

knew about the huge amount of erosion at the Snorre Field including the mainly sandy Brent Group. But where had the sand been deposited?

We used AVO technology in our effort to find the key to predict where the potential reservoir could be. There was continuous interaction in work between me the interpreter, the geophysicist, and the sedimentologist. It ended up with a well location and well 34/7-21 was spudded in October 1997. The result showed that all our efforts were worthwhile, as we had made the first Upper Jurassic oil discovery in this area. The Borg Field was born.

#### New conditions

During the four years I have been working for Concedo I have found that there is still much to be discovered and that surprises always turns up. But the scene has changed. Most of the structural closures are discovered as well as many of the Jurassic stratigraphic traps in mature areas with well-known reservoirs. We at Concedo also evaluate areas that have already been licensed, evaluated and relinquished by other oil companies. This means that we are taking part in recycling the exploration acreage on the Norwegian Shelf and we have to look at these areas from different angles. In addition, we interpret new areas, but these are usually more risky than the ones in the early days when it comes to such factors as water depth and depth to the reservoir. We use Kingdom, the latest available PC-based interpretation tool, for seismic interpretation.

One of the first projects I was involved in at Concedo was the G&G evaluation in connection with APA 2007. I mapped out some prospects and leads in blocks 6406/3 and 6407/1. We invited several other companies to whom we presented the interpretation results and a couple of them were interested. We established a working group, an AMI group, with the intention of filing an application as a group in the APA Round.

The AMI Group companies were awarded PL 475. Revus (now Wintershall) was nominated as the Operator. Further work on this licence led us to apply for an extension of the licence in the next round (APA 2008). Again we were successful and were awarded PL 475BS, where the Maria discovery was made in 2010.

#### A paid off side track

Concedo's strategy is to be one of the best exploration companies in Norway and to be an active partner in our licences. The company has proved that it is able to present new ideas in licences as well as in open exploration areas. I was responsible for G&G for PL 348 in which we found the Galtvort and Gygrid prospects. These were drilled and proved hydrocarbon bearing. The latter became commercial and was later sold to Statoil in line with our strategy. In the case of Gygrid, we were quite sure that it contained gas due to the bright anomaly we saw on the seismic, which had been compared with the anomaly reflecting the gas discovery at Galtvort. However, this was not detected in the main well, when oil was only proved in a tiny interval in the Middle and Lower Jurassic reservoir. However after some discussion with the Operator and the licensees it was decided that a side track should be drilled. This was indeed an important decision, as Gygrid proved to be a commercial oil discovery.

#### Experience and technology

For APA 2009 I was interpreting in the open area north of the Dompap discovery, blocks 6608/7 & 8, where parts of the area recently were relinquished. We were already somewhat familiar with the area as we were a licensee in PL 485, bordering the area to the east. In this area I discovered some interesting prospects and leads. The Operator in PL 485 also found the prospectivity equally promising. The companies in PL 485 formed an AMI Group and half a year later Concedo was awarded 20 % of PL 561. At present the licence has just finalized the reprocessing and an updated interpretation will form the basis for future plans.

My journey through the quite different periods, beginning with 2D seismic paper copies, continued with Charisma workstation and 3D seismic and further to PC-based Kingdom and Petrel – working procedures have certainly evolved. Today, there are more data points available and the work is progressing at a more detailed level. However, exploration of the more mature continental shelf requires extensive knowledge of previous results in order to maximize predictions. You never cease to learn and detect new things and surprises are just around the corner. This makes the work very fascinating and hopefully it will contribute to many more important discoveries.

# NEW TECHNOLOGY INCREASES ACCURACY

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Concedo employed new methods for electromagnetic surveys in the Barents Sea, technology that ensures better information from the subsurface.

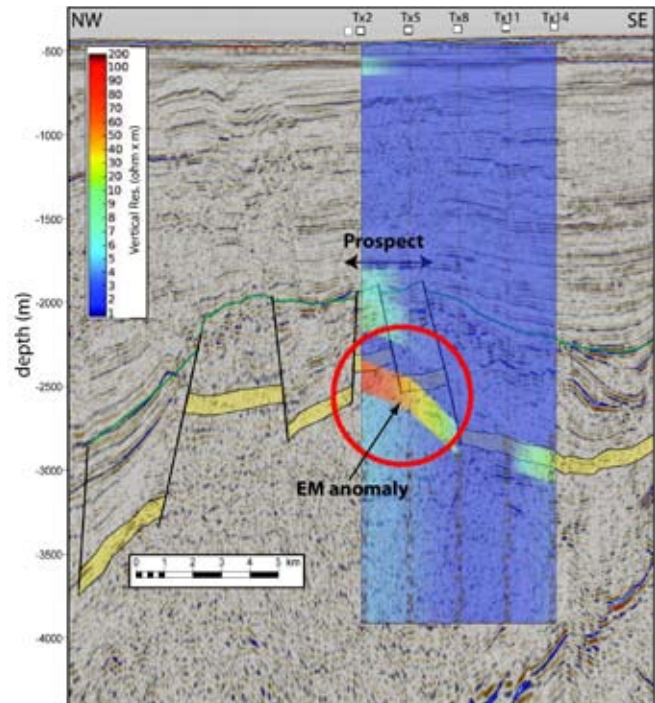
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After having been awarded a share in license PL 531 in the Barents Sea in 2009, Concedo continued the assessment of new opportunities in this exciting area during 2010, and an application document was prepared in the 21st licensing round. Prospective structures were identified on the basis of seismic and well data, but prospect risk remained high in an area distant from existing fields and discoveries.

In order to reduce risk, Concedo resolved to employ a new CSEM (controlled source electromagnetic) technique provided by Petromarker, a Norwegian service company. Offshore CSEM techniques are based on the transmission of a low frequency electromagnetic pulse into the seabed. After travelling through the subsurface rocks, the response signal is recorded at the surface and a 3D model of the electromagnetic properties of the subsurface can be constructed. Oil and gas reservoirs will show up as regions with high resistivity if the accumulation is not too small and not too deep.

The technology developed by Petromarker introduces major modifications to the conventional CSEM technology by using a vertical and stationary array of transmitters and receivers and by starting the measurements after switching the signal off. The method allows for a much closer spacing between transmitter and receivers and is more effective at eliminating noise, which results in a measured signal that carries more relevant information from the subsurface.

A feasibility study carried out by Petromarker showed that the conditions in Concedo's prospective area were favourable for the application of such a CSEM survey. The survey was carried out by the ship Volstad Surveyor in August 2010 and the results were made available for inclusion in Concedo's application for the 21st License Round. Although there are several sources of uncertainty, the interpretation clearly shows that a hydrocarbon filled reservoir may be present. The figure shows a vertical section through one of the prospective structures where bright colours indicate high resistivity.



The above figure shows how an EM anomaly combines with seismic-interpreted structure, indicating the presence of oil and gas.

#### Prospect Identification Using GIM

Concedo has been sponsoring development of Geocap's GIM technology in recent years. GIM (Geocap Interpretation Machine) is an automatic interpretation technique that tracks all reflectors within a 3D seismic cube. The method can be used for generating geologic surfaces and for identifying faults and salt domes without spending a lot of time on detailed seismic interpretation. An interpreter can subsequently focus his detailed work on interesting features identified by GIM. The program also produces an alternative high-resolution seismic display that has been used successfully to identify small-scale structures that are easily overlooked while interpreting conventional seismic.

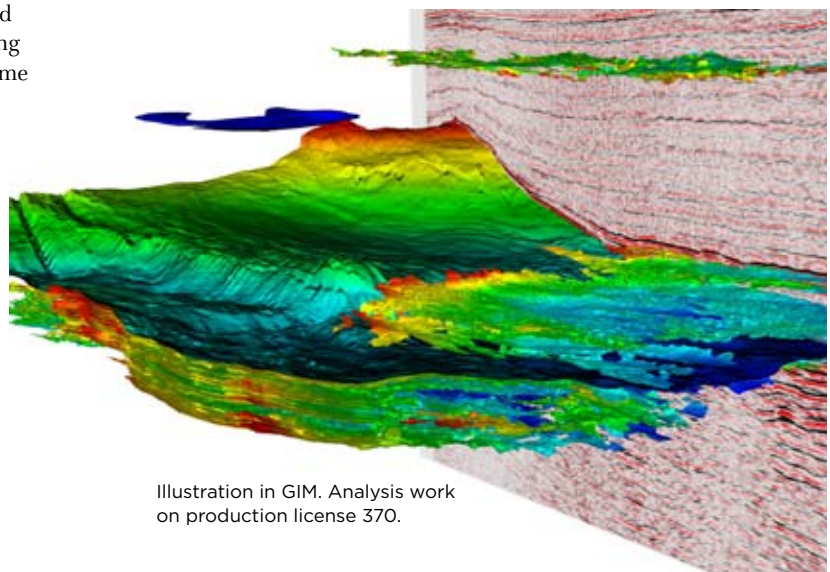


Illustration in GIM. Analysis work on production license 370.

# DIRECTORS' REPORT 2010

Our long-term goal-directed work in the search for oil and gas on the continental shelf returned good results in 2010, results that substantiated our business strategy and brought Concedo a great step nearer its objective of becoming one of the best exploration environments on the Norwegian shelf. Our cautious but concentrated efforts have paid off and in addition our partners and the authorities have placed great confidence in the company.

Concedo adheres to its objective of participating in one or two wells a year. It participated in only one well in 2010, the well drilled in the Maria prospect in the Norwegian sea, in which oil was discovered.

The Maria oil discovery is located just south-east of the Åsgard Field, an optimal location for development linked with existing infrastructure in that area. Maria contains between 63 and 126 million barrels of oil and is considered to be one of the biggest oil discoveries on the Norwegian shelf in 2010. It has generated considerable value for Concedo and moreover may also give additional production from nearby fields, through prolonging production.

Gygrid is the first oil discovery in which Concedo participated. Statoil then bought Concedo's share of licence PL 348, of which Gygrid is part. Statoil has included Gygrid in its plans for quick development of small hydrocarbon deposits discovered. Gygrid will be developed by what is termed the "fast-track" method, which in practice is a standard form of subsea development with template in areas where the geology is known and that are close to existing infrastructure. Gygrid is one of the first projects in Statoil's quick development

programme. Concedo is interested in finding more hydrocarbon deposits of this type that are suitable for quick development and that extend the life of infrastructure already established on the Norwegian shelf.

Concedo's geologists have had a very busy year, with applications in two licensing rounds - APA 2010 and the 21st round. In the award of licences under APA 2010 in January, results were good for Concedo. The company was awarded the four licences for which it had applied. Feedback from the Norwegian Petroleum Directorate after the award was also very positive.

The awarded licences are divided equally between the North Sea and the Norwegian Sea. PL 588 is in the Norwegian Sea, just north of Draugen, in which Concedo was given a 30% interest. In the North Sea just south of Brage Concedo was awarded a 40% interest in PL 576. The other two awards concerned additions to interests already held by the company in other licences - 10% in PL 475 CS and 20% in PL 370.

Our exploration portfolio contains many interesting possibilities for more discoveries. Drilling in PL 434, the Ronaldo prospect adjacent to Hei-drun, will start early in 2011. Drilling

will take place in PL 370 in 2012, and so it will continue, with drilling new wells under licences having a potential volume that exceeds already proven resources.

Concedo's company worth increased considerably thanks to the positive discoveries making 2010 the first year in which the company returned a positive result. A prudent investments policy also contributed towards a satisfactory cash flow. Financially the company's exploration loan from DnBNOR was raised from NOK 100 million to NOK 200 million.

The members of Concedo's staff have long and extensive experience from the Norwegian shelf. Our geologists see opportunities where others have given up. The licence under which the Maria reservoir was discovered is one example of this. The licence was relinquished in February 2008 and Concedo and its partners wasted no time in applying for the area in the APA round that year. In doing so Concedo also led the way to "recycling", both in regard to exploration licences and senior competence. Also younger persons with up-to-date technological competence are needed, and Anders Finstad was engaged towards the end of 2010, bringing technology of current interest in exploration activities.

#### Business office

Concedo has modern premises in downtown Asker.

#### History

Until autumn 2006 the company operated as a firm of consultants specialising in exploration on the Norwegian shelf. After it was converted into an oil company more staff were employed and HSE and management systems were established adapted to the requirements for oil companies. An application for prequalification as a licensee on the Norwegian shelf was approved in April 2007. At the beginning of 2007 we had a staff of eight permanent employees and since then the company has maintained a stable core of employees with sound experience and competence. The number was increased to ten in 2009 and to 11 in 2010, in pace with the growing volume of work and the number of licences in the portfolio. In 2008 the company made its first discovery (gas) in the Galtvort prospect under licence PL348 and in 2009 oil was found in the Gygrid prospect under the same licence. Concedo's interest in this licence was sold to Statoil in 2010. In the course of that year oil was discovered in the Maria prospect just south of the Åsgard Field. Today Concedo is regarded as a well-run company, with results in which the staff can take pride.

#### Research and Development

Concedo is a member of FORCE (Forum for Reservoir Characterization, Reservoir engineering and Exploration). Its goal is to stimulate cooperation within the industry in order to improve exploration processes and increase the recovery factor of the Norwegian Continental Shelf.

In 2008 Concedo became engaged in a 3-year development programme for GIM, a seismic tool. Concedo has used this in the last licensing rounds and in some of the company's exploration areas.

In 2010 Concedo entered into an agreement with Petromarker AS concerning use of new technology that affords greater accuracy. Concedo used this new method in connection with an electromagnetic survey in the Barents Sea.

Health, Safety and the Environment. The company objective is that all of its activities shall be carried out without harming human beings or the environment. Providing for the safety of people, the environment and economic assets is an integral part of the company's control system and performance of its activities. There were no injuries or accidents in 2010. Nor have there been any spills from licences in which Concedo owns interests.

The Directors have been concerned as to whether the Deepwater Horizon blow-out in the Gulf of Mexico might have consequences for the company. International events such as this affect not only the companies involved, but also the reputation of the entire industry. The blowout has given a new dimension and new awareness of the risks involved. As a licensee on the Norwegian shelf Concedo bears responsibility and makes conscious choices to reduce the risk for itself and its partners. Choices are made in Concedo's strategy and in imposing limits for its participation in drilling high pressure wells and in deep waters. In connection with participating in drilling, the company actively supports the operator through its competence and experience in preventing undesirable incidents. Before drilling of Ronaldo, Concedo was actively involved in licence work, risk evaluations and audits. After the Gulf of Mexico accident Concedo has increased its offshore insurance against oil spills to more than what is required under the rules for the Norwegian shelf. During drilling operations Concedo considers it important to have access to real-time log information. Drilling results then

become available to us and the operator at the same time. We are then able to contribute to awareness during the operations. This is one of our most important contributions to safety.

The work environment in the company is considered good. Efforts to improve the work environment takes place continuously. In 2010 our employees took part in health and environmental activities designed to prevent accidents in connection with work.

We recorded 25 sick days in 2010, which in total is 1,2 %.

An HSE audit of the control system and compliance with it, was carried out by AGR in 2010.

#### Gender equality

At the end of 2010 we had eleven employees – one woman and ten men. The Board consists of five Directors, three men and two women. The composition of the Board satisfies the requirements to gender equality in the Norwegian Act relating to public companies.

#### Corporate governance

The company's control system includes guidelines for corporate governance that are in accordance with the Norwegian recommendation for corporate governance. The Directors have followed these guidelines and made an evaluation of the Board's work in 2010.

#### Pay for management and employees

Pursuant to section 6-16a of the Norwegian Act relating to public companies, the Directors of Concedo ASA have drawn up guidelines for determining salaries and other remuneration for the company's management and employees.

#### Accounts

Accounts have been rendered as required under the Act relating to

public companies and in accordance with the NGAAP rules. The Directors are not aware of any matters of significance that would affect assessment of the company's position or results as of 31/12-2010 that are not presented in the annual report and accounts.

The Directors consider that the annual accounts give a true and fair presentation of Concedo's financial position as of 31/12-2010 and the result and the cash flows during the fiscal year.

#### Result

In 2010 the company had income from sale of PL 348. The operating result was NOK -38 058 823. The year's profit after tax was NOK 8 157 897. The company continued to invest in exploration activities, in a sum totalling NOK 107 791 748. Of this NOK 62 306 041 was capitalised and NOK 45 485 707 was expensed. Exploration activities consist in company operating expenses, licence costs, seismic surveys and exploration wells. Costs related to a successful exploration well are capitalised. One well was drilled in 2010, resulting in the discovery of between 63 and 126 million barrels of oil.

#### Balance sheet and liquidity

At year-end 2010 the company had NOK 100 227 506 in equity capital, corresponding to an equity ratio of 42%. The company had NOK 8 157 897 in distributable capital as of 31/12-2010. Interest-bearing debt at

year-end amounted to NOK 82 502 502, secured by the reimbursement scheme for exploration costs. It is expected that the sum reimbursed in connection with taxation for exploration expenses in 2010 will be NOK 82 209 649. At year-end the company had a credit facility in DnBNOR for NOK 200 000 000, compared with NOK 100 000 000 the year before.

#### Cash flow

The net cash flow for 2010 was NOK 30 084 399 from operations and NOK -35 518 073 from investments.

#### Operational risks, financial risk and market risk

It is our strategy to achieve income-earning through sale of licence interests and discoveries. Key risks and uncertainty factors in our operations are connected to the results of exploration activities and the possibility of realising them. The company is exposed to market risks linked with changes in oil prices and dollar exchange rates. In addition the company has interest-bearing debt and is exposed to changes in interest rates. Concedo does not at present have any contracts for hedging against market risks.

#### Credit risks

The company has limited outstanding receivables. The risk of debtors and partners being unable to meet their commitments to Concedo is low.

#### Liquidity risk

The company has a credit scheme which increases its financial flexibility and considers liquidity to being satisfactory.

#### Going concern

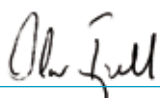
In compliance with section 3-3a of the Accountancy Act, we confirm that the accounts were prepared on the assumption that the company is a going concern.

#### Future prospects

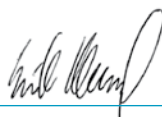
The Directors are highly satisfied with the activities through the year. Concedo has again found new deposits and is in a position to make more discoveries and further develop exploration operations. Interests in one licence were sold in 2010, proving that the company is capable of converting discoveries into cash flows. The company enjoys good working relations with reputable oil companies and with the authorities. Concedo contributes by converting experience and competence into generation of values for the community.

The company will participate in the drilling of one exploration well in 2011 and one early in 2012. It will continue development towards its objective of being one of the best exploration environments on the Norwegian shelf. The result in 2010 gives a sound foundation and expectations of more exciting years.

Asker 25.03.2011




Olav Fjell  
Chairman of the Board



Erik Klausen  
Director



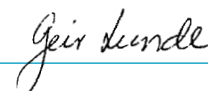
Karen Sund  
Director



Hege Wullum  
Director



Ben Stanway  
Director



Geir Lunde  
CEO

Concedo ASA

## INCOME STATEMENT FOR 2010

	Note	2010	2009
Figures are given in the Norwegian currency NOK			
Sales revenue		0	252 000
Other operating revenues	2	7 679 001	0
<b>Total operating revenues</b>		<b>7 679 001</b>	<b>252 000</b>
Depreciation on fixed and intangible assets	4	(252 117)	(746 977)
Exploration expenses	3,10,14	(45 485 707)	(70 899 774)
<b>Total operating expenses</b>		<b>(45 737 824)</b>	<b>(71 646 752)</b>
<b>Operating profit/loss</b>		<b>(38 058 823)</b>	<b>(71 394 752)</b>
Other interest received		2 590 544	3 207 258
Other financial income		2 123 532	208 720
<b>Total financial income</b>		<b>4 714 076</b>	<b>3 415 978</b>
Other interest paid		(5 760 520)	448 212
Other financial expenses		(3 037 415)	(1 545 143)
<b>Total financial expenses</b>		<b>(8 797 935)</b>	<b>(1 096 931)</b>
<b>Net financial items</b>		<b>(4 083 859)</b>	<b>2 319 047</b>
<b>Pre-tax profit/loss</b>		<b>(42 142 681)</b>	<b>(69 075 704)</b>
Income tax	7	50 300 578	54 796 425
<b>Ordinary profit/loss</b>		<b>8 157 897</b>	<b>(14 279 279)</b>
<b>Income/loss for the year</b>		<b>8 157 897</b>	<b>(14 279 279)</b>
<b>Allocations</b>			
From share premium reserve		0	(14 279 279)
Other reserves	6	8 157 897	0
<b>Total</b>		<b>8 157 897</b>	<b>(14 279 279)</b>

Concedo ASA

## BALANCE SHEET AS OF 31 DECEMBER 2010

Figures are given in the Norwegian currency NOK

ASSETS	Note	2010	2009
<b>Fixed assets</b>			
Intangible assets			
Capitalised exploration expenses and licences	4	62 306 041	20 261 424
<b>Total intangible assets</b>		<b>62 306 041</b>	<b>20 261 424</b>
<b>Tangible fixed assets</b>			
Operating equipment, FF&E etc. <sup>1)</sup>	4	892 800	432 885
<b>Total tangible fixed assets</b>		<b>892 800</b>	<b>432 885</b>
<b>Total fixed assets</b>		<b>63 198 841</b>	<b>20 694 309</b>
<b>Current assets</b>			
<b>Receivables</b>			
Trade debtors		65 452	69 280
Other receivables	9	84 530 014	73 407 513
<b>Total receivables</b>		<b>84 595 466</b>	<b>73 476 793</b>
Bank deposits, cash-in-hand etc.	8	89 382 542	75 443 715
<b>Total bank deposits, cash-in-hand etc.</b>		<b>89 382 542</b>	<b>75 443 715</b>
<b>Total current assets</b>		<b>173 978 008</b>	<b>148 920 508</b>
<b>Total assets</b>		<b>237 176 848</b>	<b>169 614 818</b>

<sup>1)</sup> Fixture and Fittings, office machinery and equipment

Concedo ASA

## BALANCE SHEET AS OF 31 DECEMBER 2010

Figures are given in the Norwegian currency NOK

SHAREHOLDERS' EQUITY AND LIABILITIES	Note	2010	2009
<b>EQUITY</b>			
<b>Called up and fully paid share capital</b>			
Share capital (9805000 shares á NOK 1,00)	5,6	9 805 000	9 805 000
Share premium reserves	6	80 257 046	80 257 046
Other equity paid in	3,6	2 007 563	0
<b>Total called up and fully paid in equity</b>		<b>92 069 609</b>	<b>90 062 046</b>
Retained earnings			
Other reserves	6	8 157 897	0
<b>Total retained earnings</b>		<b>8 157 897</b>	<b>0</b>
<b>Total Equity</b>		<b>100 227 506</b>	<b>90 062 046</b>
<b>LIABILITIES</b>			
<b>Provisions for liabilities and charges</b>			
Deferred tax	7	43 420 232	11 625 112
<b>Total provisions for liabilities and charges</b>		<b>43 420 232</b>	<b>11 625 112</b>
<b>Total long-term liabilities</b>		<b>43 420 232</b>	<b>11 625 112</b>
<b>Current liabilities</b>			
Owed to credit institutions	11,13	82 502 502	63 130 000
Trade creditors		493 894	1 282 717
Tax payable	7	0	484 687
Public duties payable		1 609 421	1 239 399
Other current liabilities	12	8 923 293	1 790 857
<b>Total current liabilities</b>		<b>93 529 110</b>	<b>67 927 660</b>
<b>Total liabilities</b>		<b>136 949 342</b>	<b>79 552 772</b>
<b>Total Equity and Liabilities</b>		<b>237 176 848</b>	<b>169 614 818</b>

Asker, 25.03.2011




Olav Fjell  
Chairman of the Board



Erik Klausen  
Director




Karen Sund  
Director



Hege Wullum  
Director



Ben Stanway  
Director



Geir Lunde  
CEO

## CASH FLOW STATEMENT

Figures are given in the Norwegian currency NOK	Note	2010	2009
<b>OPERATING ACTIVITIES</b>			
Pre-tax result		-42 142 681	-69 075 705
<b>Adjustments for reconciling current year's result with cash flow from operating activities:</b>			
Gain from sale of licence interests		-7 679 001	
Depreciation, amortisation and write-downs	4	252 117	746 977
Capitalised exploration costs expensed		440 320	1 617 810
Other items having no cash effect – subscription rights		2 007 563	
Tax paid in period		-484 687	-106 798
Tax reimbursement received in period	7	69 000 039	49 885 163
<b>Change in working capital (except for cash and cash equivalents):</b>			
• (Increase) reduction in trade debtors and other receivables		1 977 094	259 272
• Increase (reduction) in trade creditors and other current debts		6 713 635	-4 458 495
<b>Cash flow from operating activities</b>		<b>30 084 399</b>	<b>-21 131 776</b>
<b>INVESTMENT ACTIVITIES</b>			
Investments in fixed assets	4	-712 032	-362 123
Capitalised exploration expenses	4	-62 306 041	-19 821 104
Proceeds from sale of assets		27 500 000	
<b>Cash flow spent on investment activities</b>		<b>-35 518 073</b>	<b>-20 183 227</b>
<b>FINANCING ACTIVITIES</b>			
New interest-bearing long-term debt	11	82 502 502	63 130 000
Repayments long-term debt	11	-63 130 000	-42 500 000
<b>Cash flow spent on financing activities</b>		<b>19 372 502</b>	<b>20 630 000</b>
Net increase (reduction) in cash and cash equivalents		13 938 828	-20 685 003
Cash and cash equivalents at beginning of year		75 443 714	96 128 717
<b>Cash and cash equivalents at end of year</b>		<b>89 382 542</b>	<b>75 443 714</b>

## 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 valued at cost after deduction of scheduled depreciation. If the recoverable amount of an asset is less than the book value and the drop in value is expected to be permanent, the value is written down to the recoverable sum. Fixed assets that have a limited economic life are depreciated according to a reasonable schedule.

Current assets are valued at procurement cost or the true value, whichever is the lower.

Other long-term and current liabilities are entered at their nominal value.

### Interests in oil and gas licences

Interests in oil and gas licenses are accounted for based on the gross method. Accounting for oil and gas operations The company uses the "successful efforts" method of accounting for exploration and development costs in oil and gas operations. Costs for acquiring mineral interests in oil and gas areas and for drilling and fitting out exploration wells, are capitalised until it is ascertained 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.

Capitalised exploration costs are reviewed quarterly and dry wells 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. The most important conditions are either that plans are adopted for future exploratory drilling in the licensed area, or that it is expected that a development plan will be adopted in the near future.

### Receivables

Trade receivables and other receivables are entered at their nominal value less provision for expected loss. A bad debt provision is based on an individual appraisal of each of the receivables.

### 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.

### Revenues

Income is entered when earned, i.e. when payment becomes due. Payments received are entered at their value at the time of the transaction.

### Expenses

Expenses are generally entered in the same period as the corresponding income. If there is no distinct connection between the expense and the revenue, cut-off will be made at discretion. Any other exceptions from the matching principle are described where applicable.

### Leasing agreements

Payments related to operational leasing agreements are expensed linearly over the term of the lease.

### Pensions

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

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

### Share-based remuneration

The company has a remuneration plan based on payment in shares. The fair value of the services the company has received from the employees in return for the awarded subscription rights, is entered as an expense. The total sum expensed over the earning period is calculated based on the fair value of the subscription rights awarded.

On each accounting day the company re-estimates the number of subscription rights likely to be exercised. The effect of any change in the original estimates is then entered 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 costs are matched with book income before tax. Tax cost consists 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 provided that future use is rendered probable.

### Cash flow analysis

Cash flow analysis has been prepared according to the indirect method.

## NOTE 2 SALES REVENUES

Figures are given in the Norwegian currency NOK

	2010	2009
Consultant services /		
Income in Norway	0	252 000
Gain from sale of licence, see Note 15	7 679 001	0
Total	7 679 001	252 000

Gain in connection with sale of PL 348 to Statoil on 30 September 2010.

### NOTE 3 PAYROLL COSTS, NUMBER OF EMPLOYEES, BENEFITS ETC.

Figures are given in the Norwegian currency NOK

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

Payroll costs	2010	2009
Salaries	11 414 899	10 540 033
Employer's payroll tax	1 985 370	1 594 370
Pension costs	735 252	627 755
Share-based remuneration	2 007 563	
Other benefits	352 227	296 908
<b>Total</b>	<b>16 495 311</b>	<b>13 059 066</b>
Number of man-years employed during the financial year	11	10

Concedo ASA has adopted a contribution-based pension scheme which has an individual choice of investment. The scheme covers a total of 11 employees.

Remuneration paid to directors and management	Salary	Pension costs	Other remuneration
Geir Lunde (CEO)	1 276 547	82 661	37 614
Olav Fjell (CEO)		-	100 000
Erik Klausen (Director & HSE manager)	1 222 307	74 162	31 186
Hege Wullum (Director)			100 000
Karen Sund (Director)			100 000
Ben Stanway (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. Re subscription rights awarded to the CEO and directors in connection with the incentive scheme, see Note 5. Consultant services for NOK 250 000 excl. VAT were purchased from Fjellvit AS, a company owned by the Board Chairman.

#### Share-based remuneration

With the approval of the AGM the Directors of Concedo have awarded employees 676 952 subscription rights. On 17 December 2010 the Directors adopted a resolution to distribute another 239 456 subscription rights. The true value of the subscription rights awarded, calculated according to Black & Schole's option pricing model, was NOK 6 834 000, of which 2

007 563 was expensed in 2010. This model uses risk-free interest based on Government bonds with a term of 3-5 years to maturity, and exercise of rights after 48 months. The standard deviation from the expected yield was taken as 50%.

Number of subscription rights	2010	2009
Outstanding as of 1 January	380 952	143 619
Awarded during year	535 456	237 333
Forfeited during year	0	0
Exercised during year	0	0
Expired during year	0	0
Outstanding as of 31 December	916 408	380 952

Average exercised price is NOK 17,71 per share.

Note 3 cont

**Board of Directors' 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. These guidelines cover the basic pay for officers and employees, remuneration in the form of subscription rights in the company and a new 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. 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.

In the main the guidelines provide that earnings 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 with them in 2010:**

The guidelines for remuneration of the CEO and other senior staff in 2010 were established by the Directors and were approved by the annual general meeting in 2010.

For the year 2010 subscription rights were given for the equivalent of 66.7% of the salary paid out by the company in accordance with the guidelines. Each subscription right carries the right to purchase one share in the company at a price corresponding to an estimated market price of NOK 30.00. In accordance with the guidelines, company employees thus have an opportunity to subscribe shares as follows:

Name	Redemption price NOK	Number
Geir Lunde	30	27 810
Erik Klausen	30	26 626
Morten Hedemark	30	26 626
Nils Fagerland	30	26 626
Ole H Fjelltun	30	26 626
Arve Gulbrandsen	30	26 626
Odd E Baglo	30	26 626
Elisabet Malmquist	30	21 301
Enric Leon	30	11 834
Dirk van der Wel	30	15 976
Anders Finstad	30	2 779
<b>Totalt</b>	<b>30</b>	<b>239 456</b>

239 456 subscription rights were allocated in 2010 that may be exercised after 3 years and before 5 years, pursuant to Board Resolution of 17 December 2010.

**Guidelines for 2011:**

At the annual general meeting in 2011 the Directors will present the following statement regarding pay for the CEO and other senior staff in 2011:

**(i) Basic pay:**

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

**(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. Subscription rights shall normally be allocated each year 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 specific 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.

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 in 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.

Subscription rights can at the earliest be exercised at the time of listing the company or if the company is sold. Otherwise the subscription rights may be exercised at any time whatsoever in the period from 3 to 5 years after the allocation date. However it is a condition that the person concerned is still an employee of the company or a pensioner.

The new shares issued when subscription rights are exercised, carry a right to dividend from the date of issue, right to dividend,

Note 3 cont

if any, for the financial year prior to the year of issue.

**(iii) Bonus scheme:**

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

be awarded only when the added value is over NOK 100 million.

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

Bonus will not normally be awarded in the form of money, but as subscription rights in the com-

pany. In the same way as under the incentive programme, maximum 40% of the person's pay from the company may be given per year and therefore the subscription rights given as bonus shall be calculated by dividing the appropriate percentage of the employee's earnings by the market price of the shares. The market price of the shares shall be determined by an arm's length public accountant or other arm's length person having expert knowledge of the matter.

**Auditor**

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

	2010	2009
Statutory audit	137 500	155 500
Other audit-related services	37 500	59 200

**NOTE 4 TANGIBLE AND INTANGIBLE ASSETS**

Figures are given in the Norwegian currency NOK

	FF&E	Plant & machinery	Purchases of licence interests, exploration wells	Total
Procurement cost 1/1	827 373	77 725	20 261 424	21 166 522
Additions	712 032		62 306 041	63 018 073
Disposal at procurement price			-20 261 424	-20 261 424
Procurement cost 31/12	1 539 405	77 725	62 306 041	63 923 171
Accumulated depreciation 1/1	440 954	31 259		472 213
Current year's depreciation	241 951	10 166		252 117
Cumulated depreciation, 31/12	682 905	41 425		724 330
Book value as of 31/12	856 500	36 300	62 306 040	63 198 841

**Economic life**

Depreciation schedule	3-5 yrs	5 yrs
Depreciation schedule	Linear	Linear

Intangible assets includes acquisition costs for interests in licences and costs connected with exploration wells.

**NOTE 5 SHARE CAPITAL AND SHAREHOLDERS**

As of 31/12-10 the company share capital consisted of one class of shares, all of which bear the same voting rights.

Figures are given in the Norwegian currency NOK

	Number of shares	Nominal value	Book value
Shares	9 805 000	1	9 805 000
<b>Total</b>	<b>9 805 000</b>		<b>9 805 000</b>

Approval from the Board is required for acquisition of shares by purchase or gift.

**Subscription rights**

There are 1 000 000 independent subscription rights for shares in the company, with a nominal value of NOK 1 and a subscription price of NOK 30 per share. These rights may be exercised until and including 20 November 2011.

The right to exercise subscription rights lapses

in the event of the company being listed on the stock exchange. In addition, under the incentive scheme for employees 143 619 subscription rights with a subscription price of NOK 15 per share were allocated by the annual general meeting on 30 May 2008 and 237 333 were allocated by the annual general meeting on 29 May 2009 at subscription price of

NOK 15 per share. Further, 296 000 subscription rights were allocated by the annual general meeting on 28 May 2010. Subscription rights may be exercised during a period of from 3 to 5 years from the date of allocation. A full list of subscription rights is given below.

Note 5 cont

Name	Number of rights	Subscription Price (NOK)	Total price	Allocation date
Megabas AS	840 000	30	25 200 000	Extraordinary General Meeting 20/11-2006
Paradae AS	2 515	30	75 450	Extraordinary General Meeting 20/11-2006
Safeway AS	11 444	30	343 320	Extraordinary General Meeting 20/11-2006
Fredrik Stange & Co AS	3 169	30	95 070	Extraordinary General Meeting 20/11-2006
Askar Management AS	4 805	30	144 150	Extraordinary General Meeting 20/11-2006
Björg Wandås	4 445	30	133 350	Extraordinary General Meeting 20/11-2006
Steinar Hedemark	15 267	30	458 010	Extraordinary General Meeting 20/11-2006
Guri Mette Hedemark	5 000	30	150 000	Extraordinary General Meeting 20/11-2006
Hans Verrum	12 654	30	379 620	Extraordinary General Meeting 20/11-2006
Ringgården AS	2 515	30	75 450	Extraordinary General Meeting 20/11-2006
Gilbo Invest	38 186	30	1 145 580	Extraordinary General Meeting 20/11-2006
Fjellvit AS	60 000	30	1 800 000	Extraordinary General Meeting 20/11-2006
Employees	143 619	15	2 154 285	Annual General Meeting 30/05-2008
Employees	237 333	15	3 559 995	Annual General Meeting 29/05-2008
Employees	296 000	11,25	3 330 000	Annual General Meeting 28/05-2010
Total	1 676 952		39 044 280	

81 172 subscription rights allocated to Geir Lunde and 78 359 rights allocated to Erik Klausen in connection with the incentive scheme, are included in the above figures.

#### OWNERSHIP STRUCTURE

The ten largest shareholders as of 31/12-2010:

Ranking	Number of shares	% of interests	Name	Home country
1	2 983 609	30,43	Holdings Structure	CHE
2	2 580 000	26,31	UBS AG	GBR
3	1 827 692	18,64	Megabas AS	NOR
4	465 000	4,74	RBC Dexia Investor S	GBR
5	402 744	4,11	Goldman Sachs Int.	GBR
6	250 000	2,55	Knutsen John Eric TA	GBR
7	247 256	2,52	Goldman Sachs & Co.	USA
8	170 000	1,73	Six Sis AG 25 PCT	CHE
9	130 000	1,33	Fjellvit AS	NOR
10	99 347	1,01	Ozanne Julian	GBR
11	649 352	6,62	Other owners	
Total	9 805 000	100,00		

#### SHARES OWNED BY DIRECTORS AND CEO

Name	Office	Number of shares
Olav Fjell, through 100% in Fjellvit AS	Board Chairman	130 000
Geir Lunde through 16,4% in Megabas AS	CEO	298 480
Erik Klausen through 16,4% in Megabas AS	Director	298 480
Erik Klausen through Safeway AS	Director	24 796
Karen Sund through Sund Energy AS	Director	2 307

## NOTE 6 EQUITY

Figures are given in the Norwegian currency NOK	Share capital	Share premium reserve	Other contributed capital	Other reserves	Total
<b>Equity capital 1/1-10</b>	<b>9 805 000</b>	<b>80 257 046</b>			<b>90 062 046</b>
Subscription rights			2 007 563		2 007 563
Current year's profit/loss				8 157 897	8 157 897
<b>Equity capital 31/12-10</b>	<b>9 805 000</b>	<b>80 257 046</b>	<b>2 007 563</b>	<b>8 157 897</b>	<b>100 227 506</b>

## NOTE 7 TAX COST

Figures are given in the Norwegian currency NOK	2010	2009
<b>Tax cost for the current year is calculated as follows:</b>		
Payable tax	0	484 687
Insufficient provision for tax in 2009	113 951	
Change in deferred tax	31 795 121	13 912 330
Tax value of exploration costs (see Note 9)	- 82 209 649	- 69 193 442
<b>Tax cost on ordinary income</b>	<b>- 50 300 578</b>	<b>- 54 796 425</b>
<b>Reconciling nominal and actual tax rates:</b>		
Pre-tax profit	-42 142 681	- 69 075 705
Anticipated income tax at nominal rate (28%)	-11 799 951	- 19 341 197
<b>TAX EFFECT OF FOLLOWING ITEMS:</b>		
Insufficient provision for 2009 tax	113 951	
Non-deductible expenses	769 011	34 002
Non-taxable income	-7 700 000	
Tax effect of interest on loss for carrying forward (50%)	-66 992	-146 584
Effect of surtax (50%)	-31 616 597	- 35 342 645
<b>Tax cost</b>	<b>-50 300 578</b>	<b>- 54 796 425</b>
<b>Effective tax rate</b>	<b>119%</b>	<b>79%</b>

Specification of tax effect of temporary differences and loss for carrying forward	2010		2009	
	Credit	Debit	Credit	Debit
Fixed assets & exploration expenses		48 522 860		15 346 901
Loss to be carried forward	5 102 627		3 721 789	
<b>Total</b>	<b>5 102 627</b>		<b>3 721 789</b>	
Of which net value is recognised	- 5 102 627	- 5 102 627	-3 721 789	-3 721 789
<b>Net deferred debit/credit in balance sheet</b>		<b>43 420 233</b>		<b>11 625 112</b>

Profit from oil and gas operations on the Norwegian shelf is taxed in accordance with the Norwegian Petroleum Tax Act. A special 50% surtax is levied in addition to the ordinary 28% 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. See also Note 9.

## NOTE 8 BANK DEPOSITS

Bank deposits, cash in hand etc. includes non-distributable withheld tax monies in the sum of NOK 817 758,- and a rental deposit of NOK 455 983,-.

## NOTE 9 RECEIVABLES

For the 2010 tax assessment the company claims reimbursement of the tax value of petroleum exploration costs in a sum totalling NOK 82 209 649 (2009: NOK 69 193 442), see Petroleum Tax Act, 5th paragraph of section 3c. Outstanding accounts with operators and others are also included under receivables.

## NOTE 10 LEASING AGREEMENTS

Annual rental for non-capitalised assets amounts to NOK 707 326, which relates to rent for the office premises in Asker. The remaining period of tenancy is one year.

## NOTE 11 DEBT TO FINANCIAL INSTITUTIONS

The company has a credit line for NOK 200 000 000 in DnB NOR BANK ASA. The interest rate is NIBOR plus a 2.45% margin.

Withdrawals are limited to 95% of the tax value of petroleum exploration expenses. Repayments coincide with the reimbursement of exploration expenses from the tax authorities. Withdrawals may be made until 31/12-2011 and the last repayment must be made in December 2012.

As of 31/12-2010 withdrawals totalled NOK 82 502 502. We have calculated the tax reimbursement as being NOK 82 209 649, see notes 7 and 9. 95% of that amounts to NOK 78 099 166, so that withdrawals exceed the maximum permitted as of 31/12-2010. Therefore a sum of NOK 4 110 483 was repaid on 11 March 2011, in accordance with the rules.

The loan is secured by the tax reimbursement scheme, 21% of the interests in licence PL 434, 15% in PL 383, 20% in PL 531, 10% in PL 370 and 20% in PL 561. Under the loan agreement a mortgage is also given on the company's offshore insurances relating to exploration activities.

## NOTE 12 OTHER CURRENT LIABILITIES

Other short-term debt includes NOK 7 287 532 which is the company's share of provisions made in the licences in which the company holds interests. This item also includes salaries, holiday pay etc. totalling NOK 1 635 761.

## NOTE 13 FINANCIAL MARKET RISK

The company is utilising financial instruments, such as loans and cash in bank through accounts. The objectives are to secure capital towards investments of operational activities. In addition, other financial instruments involve trade debtors and creditors, etc connected to the daily operations. The company is not utilizing financial derivatives.

## NOTE 14 EXPLORATION COSTS

Exploration costs consist of:

Figures are given in the Norwegian currency NOK	2010	2009
Pay costs	16 495 311	13 059 066
Seismic, drilling and general licence expenses	24 111 140	54 220 136
Other operating costs linked with exploration	4 879 256	3 620 572
<b>Total</b>	<b>45 485 707</b>	<b>70 899 774</b>

Exploration costs, capitalised and expensed, totalled NOK 107 791 748 in 2010 (2009 NOK 90 720 878).

## NOTE 15 LICENCES

In 2010 the company acquired 1 new licence ( PL 561) in licensing round APA 2009, relinquished one (PL 383), sold one to Statoil (PL 348), and made a deal with Wintershall to buy 10% in PL 370. One well was drilled in 2010, in the Maria prospect (PL 475BS), where oil was discovered.

The following lists events and commitments related to the company's licences in 2010:

**PL 348** – Oil was found in the Gygrid prospect in 2009 and gas in Galtvort in 2008. Preparations for developing Gygrid as a subsea satellite to the Njord Field were made in 2010. The deal with Statoil was closed on 30 September 2010.

**PL 383** (relinquished in 2010) – 15% interest acquired through a swap with Det norske oljeselskap in 2008. Drilling in a prospect near the Skarv Field in summer 2009 resulted in a dry well.

**PL 434** – 21% interest awarded in 2007 (APA 2006) under an agreement with Revus (now Wintershall) and Nexen. New seismic was collected and became available in March 2009. Drilling will take place in the first quarter of 2011.

**PL 475 and PL 475 BS** – 20% interest in PL 475 was acquired in allocations in 2008 (APA 2007). Similarly a 20% interest in PL 475 BS was awarded in 2009 (APA 2008). These interests were later reduced to 10% through a swap. A well was drilled in the Maria prospect in 2010, resulting in the discovery of oil.

**PL 485** – 30 % interest awarded in 2008 (APA 2007), 15% of which was later swapped for 15% in PL 383. Prospect evaluation is now taking place. A decision as to whether to drill in or relinquish this licence will be made in the course of 2011.

**PL 531** – This licence was awarded in the 20th licensing round and Concedo's interest is 20%. It is our first licence in the Barents Sea. A well will probably be drilled towards the end of 2012.

**PL370** – Concedo obtained interests in this licence under a swap with Wintershall. Concedo reduced its interests in PL475/PL475BS on Haltenbanken by 10% in return for a corresponding share in PL 370 in the North Sea. Concedo increased its interests to 20% through a deal with Wintershall in 2010. This licence is near the Snorre Field. A decision has been taken to drill a well early 2012.

**PL 561** – 20% in this licence was awarded to Concedo in APA 2009. The area extends across the two exploration blocks 6608/7 and 6608/8. PL 561 is roughly 30 km north-east of the Norne Field and in the vicinity of the find in the Dompap prospect. Wintershall is the operator and owns 35%, E.ON Ruhrgas owns 25% and Det norske oljeselskap 20%. The licence was awarded early in 2010. A decision on whether to drill in or relinquish this licence must be made within two years.

Translation from the original Norwegian version

To the Annual Shareholders' Meeting of Concedo ASA

**INDEPENDENT AUDITOR'S REPORT****Report on the Financial Statements**

We have audited the accompanying financial statements of Concedo ASA, which comprise the balance sheet as at December 31, 2010, and the income statement showing a profit of NOK 8.157.897, 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 give a true and fair view of the financial position of Concedo ASA as at December 31, 2010, 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.

**Report on Other Legal and Regulatory Requirements***Opinion on the Board of Directors' report and the allocation of the profit*

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 the going concern assumption, and the proposal in the financial statements for the allocation of the profit complies with the law and regulations and that the information is consistent with the financial statements.

*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 the company's 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 25, 2011  
Deloitte ASMette Herdlevær  
State Authorised Public Accountant (Norway)

[Translation has been made for information purposes only]

# BOARD OF DIRECTORS



## Olav Fjell

Olav Fjell is the Chairman of the Board. He is the CEO of Hurtigruten and he has held a number of leading positions in industry, including CEO of Statoil and a directorship in DnB. He graduated in economics from NHH – the Norwegian School of Economics and Business Administration.

## 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, director, has long managerial experience from international oil service companies and offshore projects from such companies as Aker, Prosafe/Consafe etc. He graduated in engineering from the Heriot Watt University.

## Hege Wullum

Hege Wullum, director, is the commercial manager of AS Nationen. She also has 10 years' experience from Edda Media AS, where her work included M&A, business development and digital projects. Hege has 7 years' international experience in the oil and gas industry, partly from Norsk

Hydro and the Norwegian Ministry of Petroleum & Energy. She holds a Bachelor's degree in economics and an Executive MBA in brand management from NHH, the Norwegian School of Economics and Business Administration.

## Ben Stanway

Ben Stanway, director, is a partner in Habrok Capital Management, London, and has experience from the global finance sector and investments in the energy sector. He has a BSc in Business Administration from the University of Bath.

# EMPLOYEES 2010



**Geir Lunde**

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.



**Arve Gulbrandsen**

Chief geophysicist, also has more than 30 years experience, mainly in interpretation of seismic, geophysical data and prospect evaluation. He graduated in technical physics from NTH, the Norwegian university of science and technology, in 1976.



**Erik Klausen**

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.

## NEW MEMBER OF CONCEDO'S STAFF

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**ANDERS G. FINSTAD**

Anders G. Finstad joined Concedo ASA on 15 November 2010 as a senior geophysicist. Anders graduated from the University of Oslo and the Royal School of Mines in London and has had 15 years of oil industry experience. More recently he was general manager of Geocap AS, a small company in Oslo that is engaged in development of software for the oil industry.

-I am very glad that I chose Concedo as my new employer. Concedo is a small company where the environment is extremely good and the employees have extensive experience and knowledge. Moreover I believe in the philosophy of focusing on new technology and innovative thinking that Concedo has displayed through, for example, its participation in the GIM consortium and FORCE. Concedo is a company where one has an opportunity to contribute in technical and professional work, while also being able to learn and develop through working with such knowledgeable colleagues and using a wide range of state of the art software.