



ANNUAL REPORT 2012

concedó



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ABOUT CONCEDO

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

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

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

WHAT WE DO

Our key tools in identifying new opportunities for discoveries are seismic, well data, and the staff's overall experience. Testing of new technology like electromagnetic data and special processing of seismic data may in certain situations prove very important. Our future is decided through our daily work, namely interpretation, analysis and integration of the various data. Concedo was pre-qualified as a licensee in 2007, and has since then been awarded licence shares in the annual concession rounds (APA rounds). Both the 20. and 21. Concession rounds have also resulted in awards. The wells we have drilled have proven the quality of the prospects. The discoveries have been successfully sold to Statoil and Wintershall.



The best preparation for good work tomorrow is good work today

- Elbert Hubbard (1856-1915)

Being prepared goes well together with a long term strategy. In general, preparation and work with Barents Sea geology puts Concedo in a position where it can act quickly and make the right decisions when opportunities arise. At present, Concedo is very much in a preparation phase, continuing its geological and geophysical work with focus on certain areas of the Barents Sea.

LICENCE PORTFOLIO

5

licences in
NORTH SEA

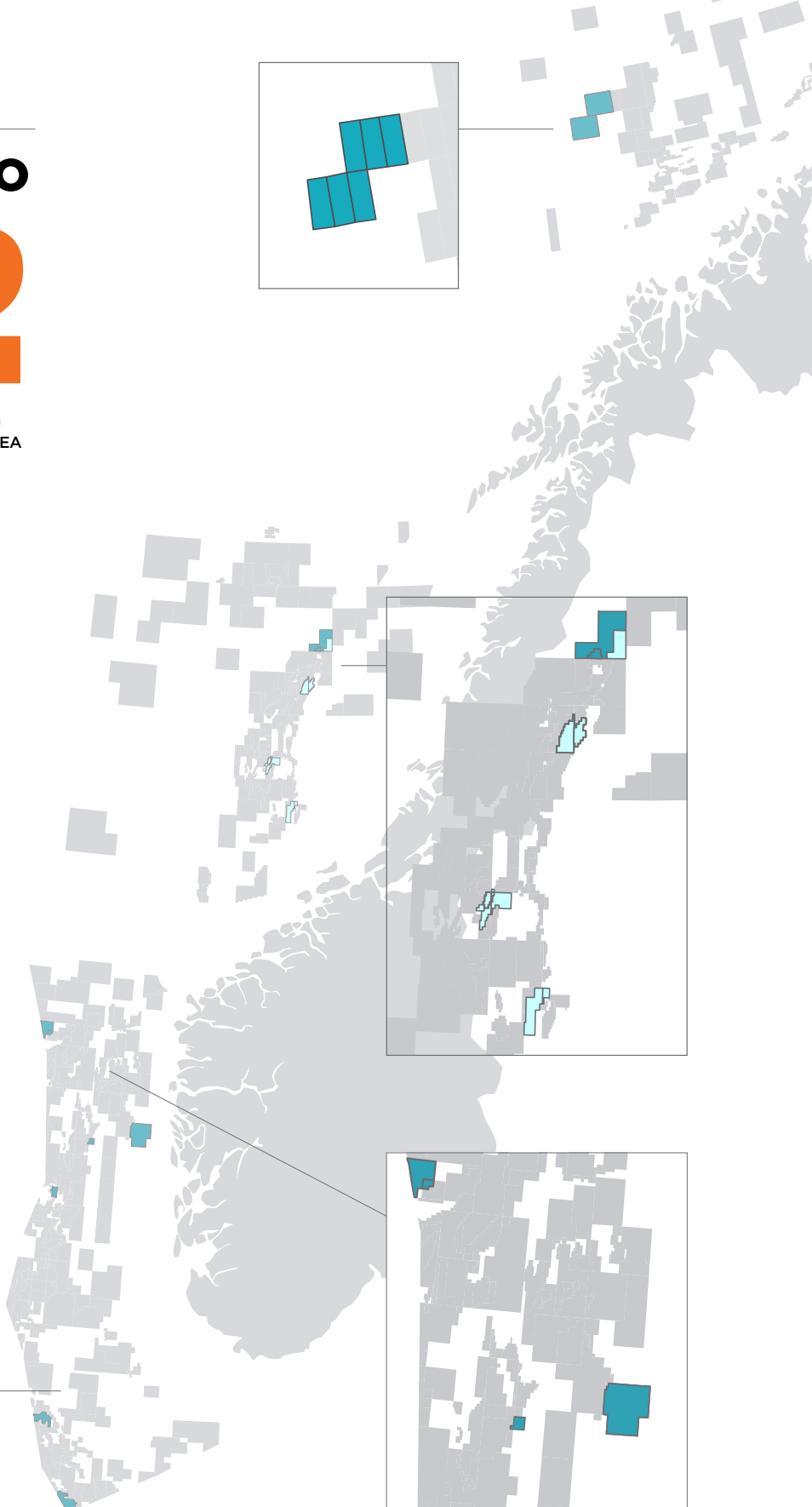
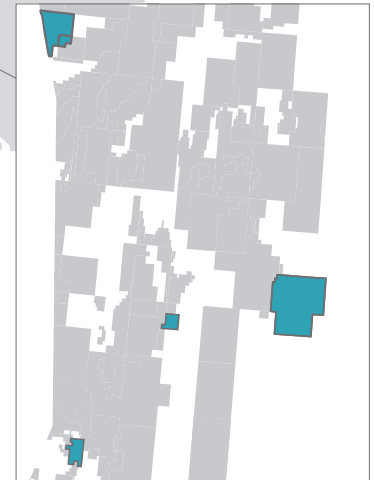
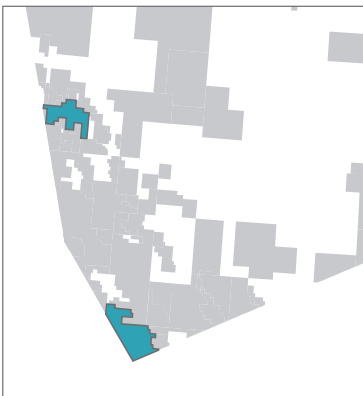
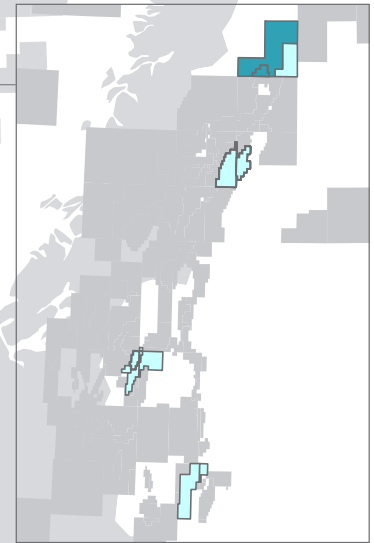
2

licences in
MID-NORWAY

2

licences in
BARENTS SEA

Concedo's licences are located in mature petroleum provinces in the North Sea, outside Mid-Norway and in the Barents Sea. Most of the licences are located in the vicinity of existing infrastructure. Through tie-in solutions, this allows for development of smaller discoveries, and hence, contributes positively to the value of the producing fields.



DESTINATION BARENTS SEA.



TRANSFORMING KNOWLEDGE INTO OPPORTUNITIES

Excitement and expectations are great pleasures of an oil prospector's work. Can there be a more interesting job? Excitement and expectations accompany us from the very first moment the seismic sections show the possibility of a discovery, through to the moment of truth when the drill bit gnaws its way into the reservoir.

At the end of the year 2012 Concedo has two areas ready for drilling in the Barents Sea that have high potential. Preparations have been part of life at Concedo ever since the company was established in 2006. Practical preparations for drilling operations were taken care of in 2012. Personally I compare these wells with my own experiences as a geologist responsible for the first drilling in the Barents Sea in 1980 and as exploration manager in one of the licence companies taking part when oil was found in Goliath in 2000. Drilling in the Barents Sea led to the discoveries Askeladden, Albatross and Snøhvit now known as the producing Snøhvit Field. Also the Goliath Field will soon be ready for production.

Concedo's participation in drilling in the Barents Sea in 2013 will build on the overall experience we have gained ever since 1980. Based on this experience we try to see new possibilities. Even though the geology and hydrocarbons we study were there long before any humans existed, we have to form our impression of the sub-surface by application of seismic data, well data,

knowledge and creativity. Therefore the words «knowledge and creativity» describe Concedo's key skills and activities. We know that the really big fields can be discovered if we base our perception of the sub-surface on somewhat untraditional thinking. Even after the most critical examination and use of all possible exploration tools, there will still be a risk of drilling a dry well. Therefore Concedo normally limits its participation to 20 - 30% in exploration drilling.

To an outsider, waiting years for the final answer may sound far too long a time. It does require a good portion of endurance, but there are plenty of points and questions to which we seek answers:

- Will the hydrocarbons be present in such volumes that production will be possible?
- Will we obtain exploration areas in the licensing rounds?
- Will the seismic data directly indicate hydrocarbons?
- Will we be able to interpret rock properties from the seismic data?
- Will new technology such as electromagnetic data and special analysis of seabed samples help us?
- When will the licence partnership get a drilling rig to do the drilling?

We return to several of these questions time after time, with new insight and understanding, and in the end we become excited about the possibility of making a discovery, although still not certain of the outcome. Drilling wells will give us new insight and preferably also new oil.

In recent years we have tried out new technologies, such as PetroMarker EM data and geochemical rock sample analysis. After drilling in our licences we will know with even more certainty how much these technologies can help us in the future. We are already quite sure that we have found means of eliminating some areas that definitely do not contain hydrocarbons in sufficient quantities. We have eliminated two areas with the help of new technologies, but we are still in the process of learning how to apply these technologies actively



Knowledge and creativity describe Concedo's key skills and activities



Geir Lunde

Geir Lunde
CEO

to prove the presence of hydrocarbons. Continuous development of our competence will enable us to realise our ambition of being one of the best exploration environments in Norway.

In our application for the 22nd licensing round, submitted on 4th December 2012, Concedo applied for four large areas, building further upon our joint knowledge of exploration in the Barents Sea starting with the very first exploration well. We have always firmly believed that it would be possible to find substantial quantities of oil in the western part of the Barents Sea.

This was confirmed by the recent Skrugard and Havis discoveries. We have also started to evaluate the oil potential in the eastern part of the Barents Sea, where licences may be offered in the 23rd licensing round.

The North Sea is the region where Concedo has most of its licences. In the APA 2012 we applied for another two licences here. Therefore, in the coming years, most of our wells will most likely be drilled in the North Sea. Seismic mapping is taking place in all areas, leading up to a possible decision for drilling. In 2012 we participated in drilling the Kakelborg prospect in PL 370 in the northern North Sea. Before drilling took place this was a prospect with low drilling costs, high potential volume and interesting seismic indications of hydrocarbons. The presence of a good reservoir was the main risk. The well

proved to be dry and no reservoir was found, and the main lesson we learned was that evaluating thin reservoirs is particularly difficult.

Revenue from sales of the previous discoveries, PL 348 (Hyme and Galtvort) to Statoil and PL 475/BS/CS (Maria) to Wintershall, placed Concedo in a very good financial position. This enabled us to pay our shareholders dividends in spring 2012 and still have about 400 million NOK in hand for further exploration. Concedo firmly maintains the strategy we have followed from the start, aiming to participate in one to three wells per year. It is our ambition to participate in about ten wells over a five-year period. We will always be driven by the desire to drill attractive prospects. Drilling targets will be chosen when we, to the best of our ability and with a critical eye and up-to-date knowledge, have identified attractive opportunities.

Everything is achieved through the experience and efforts of our employees. Our future is created through hard and thorough work alternating with lively play with the possibilities. At the close of 2012 I wish to thank my playmates and colleagues for all their contributions, especially those who sometimes carried the heaviest burdens. Similarly we wish to express our appreciation to all the people and companies that helped us on the way to success. Our wishes for 2013 are to make new discoveries, receive good awards in licensing rounds, increase our staff by a couple of good geologists or geophysicists, and continue to have fun in our offices in the centre of Asker.



An aerial photograph of a rugged coastline. The image shows dark, jagged rock formations and a narrow, winding fjord. The water in the fjord is a deep, dark blue, while the surrounding land is a mix of dark and light grey rocks. The overall scene is dramatic and emphasizes the natural beauty and isolation of the area.

Prepared.

**DESTINATION
BARENTS SEA.**

Drilling in the Barents Sea – prepared by Norwegian technology

In the next two years Concedo is participating in two exploration wells in the Barents Sea, both being drilled by Transocean Barents.

This drilling rig represents a real Norwegian technology adventure beginning with Ocean Viking in 1967.

Transocean Barents, an Aker H-6e design, is one of the most advanced drilling semisubmersibles ever built. It is today the most suitable drilling rig for the Barents Sea conditions and its specification is impressive. As necessary in such harsh weather conditions the rig is fully winterised with cladding and heat tracing. The variable payload capacity is large, in transit it is 7000 tonnes and in operational condition 10 000 tonnes. It is understood without saying that because of the great distance from the supply base to the rig in the Barents Sea, carrying capacity and space onboard is very important. If pipes and casings are not carried on board it will take six days to transport them from Stavanger to Hammerfest and at least another day at sea on the way out to the rig.

In preparation for efficient drilling the Transocean Barents is carrying

all equipment and pipes necessary for drilling stored on board ready for the well to be spud.

Transocean Barents has no traditional derrick structure; however, it uses the RamRig principle. There are no draw works or electromagnetic brake, no drill line and no crown or travelling block. Drilling rotation is done simply from a top drive fixed to a guiding structure. The hook load is carried by the vertical hydraulic hoisting cylinders supported on the drill floor. No traditional motion compensating equipment is required since these systems are integrated in the hydraulic loop systems. Transocean Barents has a dual drilling system enabling it to drill or do pipe handling simultaneously. This improves efficiency during drilling and makes it possible to drill in a shorter time.

The Transocean Barents is equipped with a dynamic positioning system making it possible to drill without use of anchors. This reduces costs,



is timesaving and has environmental advantages. At the location of our first well in the Barents Sea, the Darwin well in licence PL 531, the sea bottom is inhabited with sponges. To protect these the dynamic positioning system is utilized instead of setting anchors that disturb the vegetation on the seafloor.

The Aker H-6e design is an evolution of the existing Aker H-3 and Aker H 4-2 rig designs with proven performance. The design is founded on more than 30 years of experience in design and fabrication of semi-submersibles combined with state of the art technology. The Transocean

Barents was commissioned in Norway at the beginning of 2009.

A direct line may be drawn from the beginning in 1967 when Aker built the first drilling rig Ocean Viking for Ocean Drilling & Exploration Co (ODECO). The drilling rig was commissioned by Phillips Petroleum for exploration drilling in the North Sea. This drilling rig undertook the first exploration wells on the Norwegian Continental Shelf. On 10th June 1968 the Norwegian newspapers showed pictures from Ocean Viking flaring gas at the upcoming Cod field. After drilling 38 wells Ocean Viking found the first commercial discovery in

August 1969. Phillips was operator of block 2/4 and the discovery became part of the giant Ekofisk field.

Building this drilling rig gave Aker valuable knowledge and experience. When Per Christian Sandnes took employment in Aker from ODECO in 1969 new creative ideas of a new type of semisubmersible drilling rigs took shape. With his experience from ODECO he was the expert in a project group for developing semisubmersible drilling rigs dedicated for the harsh North Sea environment. The objective was to develop a drilling rig that had the same pay load capacity as a drill ship, low weight,

“ These rigs represent an achievement of Norwegian technology, creativity, engineering performance and industrial development



Photo: Digitalt museum



extended mobility and better performance in the high sea state than any of its competitors. The work was initiated in 1971 by Bernhard Larsen, Director of Odfjell drilling in Bergen, who had contact with Statoil regarding exploration drilling.

On the drawing board there were old and new design proposals, eight in total were named from A to H. Even a new computer program was developed from scratch in order to optimize the drilling rig design. Det Norske Veritas (DnV) was engaged to calculate the motion characteristics of the rig in different sea states. The proposal H won the best design put forward and after the three further revisions, the H-3 drilling rig was born.

The crisis in the shipping sector in the early 1970s gave foundations for building more Aker H-3 drilling rigs. Fred Olsen who was one of the owners in Aker, played a significant role in filling Aker's order book for rigs. These rigs are still in operation today

and are known as Borgny Dolphin, Bidefjord Dolphin, Borgsten Dolphin, Byford Dolphin, Blackford Dolphin and Bredford Dolphin. Different improved versions were tailored to the clients' needs; however, these played a minor role compared to the original little brother H-3. At this stage a total of 28 H-3 semisubmersible drilling rigs were built.

In the next phase several new field developments on the Norwegian Continental Shelf came into the pipeline. Aker was engaged on projects such as Statfjord, Valhall, Ula and Gullfaks. In this period the demand for drilling rigs calmed down, then Aker put the H-3 design aside.

In the 1980s the market started to move again and the next generation of drilling rigs was developed. Again Odfjell was first out and entered an eight year contract with Statoil and wanted a new exploration drilling rig from Aker for this purpose. The Deep Sea Bergen was built, and

further co-operation with Odfjell lasted for a period of 11 years. Aker built four H-3.2, three H-3M and two H-4.2.

The ship broker R.S Platou made a report on the performance of semi-submersible exploration drilling rigs in the North Sea between 1971 and 1974. The report stated that Deep Sea Driller's (H3) had better efficiency compared to other rigs.

A completely new type of drilling derrick design came into operation in 1998; the RamRig. In the Barents Sea case it is fully winterised. The RamRig provides dual derrick functionality at a lower total operational cost than comparable conventional dual derrick design solutions. The concept with two independent drilling systems, the main and the auxiliary well center allows parallel operations. The Transocean Barents RamRig is equipped with triple stand functionality with a hoisting capacity of 1 000 tons. The arrangement accommodates a low vertical set-back configuration



Photo: Aker Solutions

In 1977, Erik Klausen, HSE Manager in Concedo, joined the Aker design team and enjoyed the opportunity to work with Aker's creative engineers and skillful colleagues in the development of exploration drilling rigs and field development projects. His engagement in Aker lasted for a period of 18 years.

at lower deck level for tubular and risers with fingerboard for tubular on drill floor level. The drill floor is 24 m above lower deck. A personnel and goods lift runs from the lower deck to the drill floor.

The well centres are located 13 m apart. Both well centres are equipped with top drive, rotary table and iron roughneck. The dual RamRig includes a fully mechanized remote controlled dual pipe handling system. Two pipe handling bridge cranes service the tubular set back area. The main rig is dedicated for drilling and running of riser and Blow Out Preventer (BOP). The primary functions of the auxiliary rig are to build and rack stands of drill pipe and casings and to run 30" and 20" casing strings and X-tree equipment.

These rigs represent an achievement of Norwegian technology, creativity, engineering performance and industrial development. The Transocean Barents H-6e is made in Norway. The design was engineered in Oslo

and the drilling equipment was designed by Aker Maritime Hydraulics in Kristiansand. The hull was built at the Kværner yard in Verdal and the assembly and commissioning was undertaken by Kværner Stord yard. The main features are summarized as follows:

- Large payload and storage capacity
- Excellent and proven motion characteristics
- High drilling and completion efficiency
- Dual RamRig
- Vertical riser and casing racking
- Independent handling of BOP band X-mas trees
- Maximum parallel activities
- Large working space for safe and efficient operations
- Protected working and storage areas
- Large bed capacity
- Low emissions to the environment
- Real time remote operations and diagnostic capabilities
- Dynamic positioning system
- Prepared for installation of 8 point mooring system
- Fully winterised

Aker delivered 37 semisubmersibles of the H-3 and H-4 designs, which is the world's most proven rig design. The new H-6e design is intended both for world-wide deep water operations and in harsh environments. The rig was financed by Aker Drilling, which has later been taken over by Transocean, the world's largest drilling operator.

Environmental challenges in the Barents sea

As an exploration Company with licences in the Barents Sea, Concedo evaluates the operating conditions in such environments at an early stage even before applying for licences.

The knowledge of the broad aspects of the exploration activities is necessary in order to operate in arctic conditions. This means to understand and manage barriers in connection with well design, geology and environmental challenges. Concedo's experts closely follow the operations during the drilling as a licence partner. The company also has an overall risk reducing strategy giving a guideline to the internal decision process. The company has a "see-to-it duty" according to the regulations of the Norwegian Safety Authorities and contributes in the continuing work to prevent accidents from happening. Nevertheless, one needs also to have preparedness in case accidents happen.

Concedo is a company with very senior experienced people; more than half of the employees have hands on experience from seismic vessels and drilling rigs operating in the Barents Sea. The office is in Asker Norway, a place with

connections to arctic exploration. The polar ship Maud was built in Asker in 1917. It was built for Roald Amundsen's expedition through the North-West passage. It sank in 1930 and today the wreck of it rests on the sea bottom in Cambridge Bay north of Canada. It will be brought back to its birthplace in Asker next year.

We are participating in two exploration wells in the Barents Sea. The Darwin well in PL531 is planned for drilling in 2013 and the Byrkje well in PL 607 in 2014. Concedo has two licences in the Barents Sea covering 3 blocks each. 20% of PL 531 was awarded to Concedo in the 20th Licence round and 40% of PL 607 was awarded in the 21st concession round.

Minimizing risks is part of Concedo's business strategy. Each year in September a board meeting is dedicated to such strategy discussions. Concedo will not participate in risky exploration wells that may turn out to be very expensive.

This includes deep water and deep wells and environmentally sensitive areas. As a licence partner we are proactive in well preparation and monitor drilling in real time.

An internal review has been made of the Macondo accident (Deep water horizon) and takes on lessons learned from it; it will not affect Concedo's business as such, however, it will lead to higher costs of exploration. It leads to more focus and investment in barrier management, risk analysis and emergency preparedness. We also have purchased a special insurance directed against oil spills. Concedo also participates in R&D activities in developing future oil spill recovery systems.





Barents Sea - an exploration history



Petroleum exploration on the Barents Sea continental shelf commenced in the 1980s. The first areas to be opened up were the Hammerfest Basin and the adjacent areas to the west, the Ringvassøy-Loppa Fault Complex. We did not need to wait very long before exploration gave positive results and the Snøhvit, Albatross, Askeladden and Alke fields were discovered by the end of 1985 .

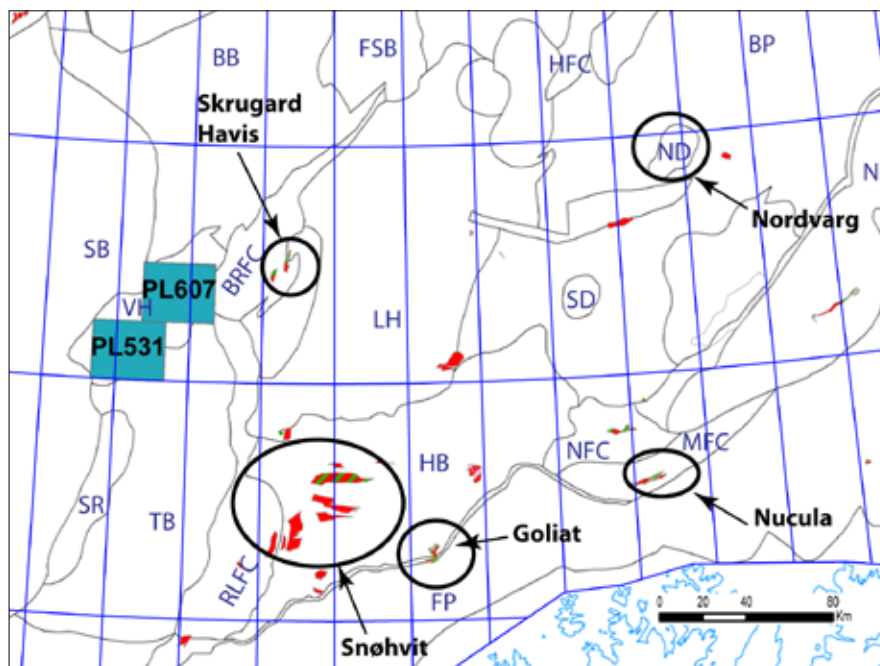
However, there was also some disappointment associated with these discoveries, as they contained

in the Tromsø Basin and on the Senja Ridge during the early 1980s, but unfortunately these were all disappointments, containing neither hydrocarbons nor reservoirs.

Drilling continued throughout the 1980s and 90s and 56 of the now 98 exploration wells in the Barents Sea had been drilled by the end of 1993. One by one, all the major basins and platform areas were penetrated by wells. Although an unusually high proportion of discoveries were made in these wells, they were mostly found to be under-filled and gas-prone.

98

exploration wells



Key to abbreviation:

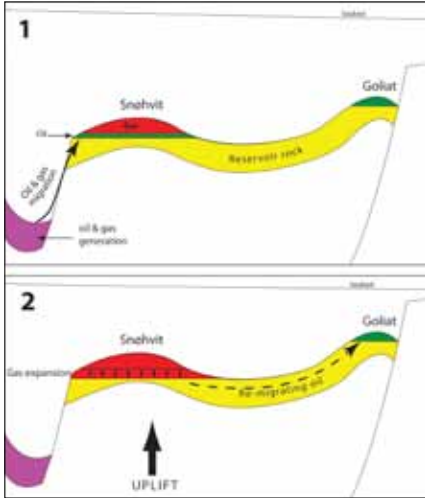
- Hammerfest Basin (HB)
- Ringvassøy-Loppa Fault Complex (RLFC)
- Bjørnøyrenna Fault Complex (BRFC)
- Senja Ridge (SR)
- Veslemøy High (VH)
- Bjørnøya Basin (BB)
- Tromsø Basin (TB)
- Bjarmeland Platform (BP)

gas with only non-commercial amounts of associated oil. More wells have been drilled in these areas since then and the rate of discovery is high. In spite of this however, only one commercially significant discovery has been made, the Goliat Field in the year 2000, located some 80 km to the east of Snøhvit. Being the first oil discovery in the Barents Sea, it represents a milestone in Barents Sea exploration history. Exploration wells were also drilled

Combined with the long distance from the coast and low oil prices, commercialisation was considered difficult. These factors led to a period of low activity in regard to Barents Sea exploration. Despite the fact that many companies held licences and that considerable acreage was awarded to companies in the official Barents Sea Project in 1997, no wells were drilled in this region from 1995-1999 or from 2002-2005.

6 Luck is where opportunity meets preparation

- Denzel Washington (1954 -)



FIELD	YEAR	STATUS	CONTENT	LOCATION
Snøhvit	1981	commercial	gas	Hammerfest Basin
Tornerose	1987	sub-commercial	gas	Hammerfest Basin
Bamse	1987	non-commercial	oil (gas)	Nyslepp Fault Complex
Goliat	2000	commercial	oil	Hammerfest Basin
Nucula	2007	sub-commercial	oil (gas)	Måsøy Fault Complex
Norvarg	2011	potentially commercial	gas	Norvarg Dome
Skrugard	2011	commercial	oil (gas)	Bjørnøyrenna - Loppa Fault Complex
Salina	2012	non-commercial	gas	Bjørnøyrenna - Loppa Fault Complex
Havis	2012	commercial	oil (gas)	Bjørnøyrenna - Loppa Fault Complex



The only encouragement came about in the year 2000 - the above mentioned Goliat oil discovery, when oil was found in commercial quantities only some 50 km from the coast. In the hydrocarbon migration model that resulted in this discovery, oil originally located in the Snøhvit field reservoirs was forced out of these reservoirs by expansion of gas during uplift. The oil then migrated eastwards, up-dip and filled the Goliat field reservoir. This oil discovery represents a fine example of how tedious work and creative thinking combined with risk-willingness can lead to success.

In order to stimulate exploration activity, the Norwegian petroleum tax system was expanded to also include pure exploration companies with no production. In the revised petroleum tax law, 78% of the exploration expenses incurred on the NCS, was refunded. Needless to say, this was a success and resulted in increased interest in Barents Sea exploration from the 19th concession round in 2006 onwards. However, it was first in the 20th concession round in 2008 the real impact of the

new regulations could be seen. It was in this round that the award of the licences was made, where the Skrugard and Havis fields were found by Statoil in 2010 and 2011. It should be noted that prior to these two discoveries, in spite of the recovered exploration activity, none of the 21 wells drilled in the period from 2005-2010 were commercially significant. The discoveries that were made in this period were limited in size and contained gas rather than oil.

Both the Skrugard and Havis fields are located some 100 km north of the Snøhvit Field in the Bjørnøyrenna Fault Complex. Both discoveries are large in size and mainly contain oil and not only gas. It is worth noting that, before Skrugard and Havis were found, two unsuccessful exploration wells had been drilled on similar structures in the same geological province. This is therefore a fine example of the type of endurance that is required in order to succeed in oil exploration. These discoveries brought on a new wave of revived excitement and optimism in exploration of the Barents Sea.

Barents Sea - a look ahead

The recent Skrugard and Havis oil discoveries in 2011 and 2012, combined with the favourable tax-refund system in the Norwegian exploration regime, have led to interest in Barents Sea exploration being at an “all-time high” at present. This favourable situation will lead to exciting drilling activity in new frontier areas that have so far been disregarded. One of these areas is the Veslemøy High located some 30 km southwest of Skrugard. This area has never been drilled before and therefore little is known about the nature of its rocks and their ages. Drilling the Darwin well (PL 531) is planned to start early in 2013, in a high-risk/high-potential prospect positioned on the eastern flank of the high. Concedo is also a partner in PL 607 in the northern part of Veslemøy High. An exploration well is also planned under this licence, on the Byrkje Prospect in late 2013/early 2014.

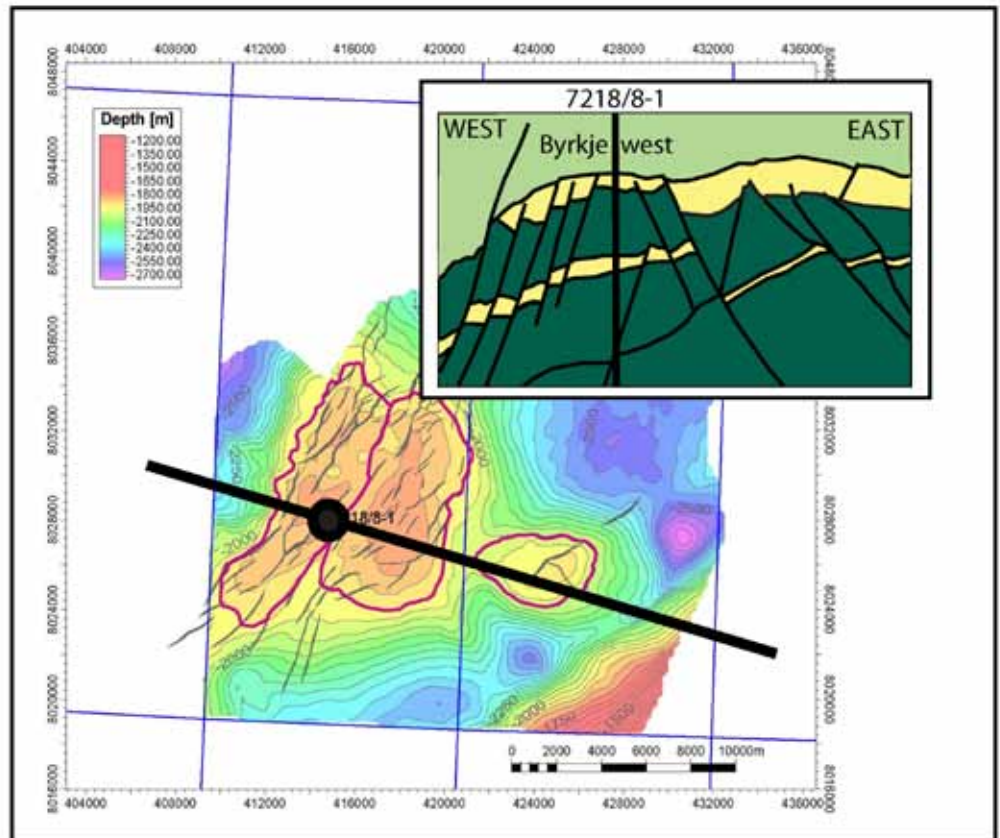
The Bjørnøya and Tromsø Basins are situated to the north and south of the Veslemøy High respectively. These are deep basins with an almost unexplored stratigraphical sedimentary column in excess of 10 km. Whether these basins contain good reservoir rocks and also whether the basins contain source rocks that have filled these reservoirs with hydrocarbons are important questions to which Concedo expects to obtain answers in the near future.

Interest is also high in regard to near future exploration in the areas north of Skrugard on the Bjørnøyrenna Fault Complex, and also north of Loppa High on the Bjarmeland Platform. It is expected

that many companies have applied for acreage in these areas in the 22nd Round and that much will be learned from drilling activity over the next few years. Two wells of particular interest will soon be drilled under the Statoil operated licence PL 615 on the Bjarmeland Platform. Given positive results, these wells may result in a boost in exploration of the northern Barents Sea.

After the territorial issues between Russia and Norway were resolved in 2010, the NCS grew by an area of 12% to the east. Large structures

potentially filled with hydrocarbons, have been identified in these areas. Needless to say, industry interest is high with a multitude of teams of people in the various oil companies already working on mapping out the geology of the new area. In 2012, the NPD acquired a substantial database of seismic in the area and it is expected that this database will be laid out for sale in the middle of 2013. The first blocks are expected to be offered in the 23rd Round in 2014. It is with optimism and enthusiasm that Concedo looks at the future of the Barents Sea exploration.



The importance of the Norwegian Authorities



The Norwegian exploration model is based on interaction between the authorities and the individual actors in the oil industry, mostly oil companies and seismic contractors. Whilst it is the Authorities that control the big picture, there is still plenty of room for the industry to influence where exploration is to take place. It was NPD that controlled the opening up of the Barents Sea in the 1980s and decided that the Hammerfest Basin was to be explored first. Likewise, it is the Storting that now decide when the new eastern areas of the Barents Sea are to be opened, and the pace at which this is to be done. However, industry interests also play a very important role. For example, it was lack of industry interest that led to the strong decline in Barents Sea

exploration between 1995 and 2005. The work and initiative of a multitude of private actors is very important. Geologists working in different teams in competition for the same acreage come up with different ideas valuable to exploration. Was it not for this private involvement, many of the wells in the Barents Sea would never have been drilled.

On the other hand, it was the Authorities that, by introducing the Barents Sea Project in 1997 and adjusting to the favourable tax-refund in 2005, again boosted interest in Barents Sea exploration. Seismic contractors also play a significant role in the Norwegian exploration model. The contractors are often in a unique situation, being in close liaison with most companies

in relation to marketing and sale of their data. They also often possess great amounts of data and know-how which sometimes give them a “gut-feeling” as to where exploration should move next. There are several examples of where seismic contractors invest in new 3D data libraries in areas with low exploration activity and thus stimulate exploration interest.

All in all, Concedo believes that the Norwegian exploration model is one of the best in the world. The interaction between many actors at different levels in a game with set and fair rules creates values for both Norway and the hunters that are successful in finding the black gold.

All members of the Concedo staff have a technical background related to hydrocarbon exploration. In total, Concedo staff have about 300 years of experience in looking for oil on the NCS. More than 100 of these are directly related to the Barents Sea and represent a valuable asset to the company.

100

years of experience in the Barents Sea

Concedo - on endurance

Hydrocarbon exploration is very much related to the word endurance. Endurance is a required asset if one is to achieve exploration success. The path to drilling a commercial well is often long and can take many years. From the time a production licence is awarded until the decision to drill a well is made, an intense work program is often undertaken, involving a large investment in human and technological resources. Years of hard work are accompanied both by the expectations of finding hydrocarbons and the uncertainties that are always present until the moment the well drills through the reservoir. Since it is a fact that most wells drilled are non-commercial, it follows that the disappointment of dry wells is an essential part of the road to exploration success.

Technology

Advances in technology are seen as part of an ongoing, never-ending process and being aware of this makes Concedo an open-minded and inquisitive company, willing to try new methods in exploration.

Such curiosity relates to all aspects of the exploration process, from the software used for seismic processing and interpretation to acquisition of new types of data and the processing thereof. Concedo's interest in new technology may give exploration advantages, ensuring that one is "on top of the ball" whenever new, relevant science becomes available. Concedo's production licences in the Barents Sea have been the ground for testing modern, unconventional technologies in frontier areas for exploration. In particular, electromagnetic acquisition and seabed sampling have been employed. In 2010, an electromagnetic survey was acquired exclusively for Concedo on Veslemøy High. That was the first time Concedo used this technology and, although still in the learning phase, the results the survey revealed are encouraging. Since then, Concedo has used this technology across much of the NCS. Similarly, modern seabed sampling technology provided by the GORE company has also been used with encouraging results.

Multidisciplinary approach and creativity

Searching for oil in the Barents Sea is a big challenge involving much more information and experience than one person can handle. Multi-disciplinary team-work is therefore necessary in order to obtain good results. This must be kept in mind when putting project teams together, so that each team contains persons with varied knowledge. The ability to be creative and think anew is also important to successful exploration. We often find that so-called "established" facts are proven wrong when new drilling results appear. On the one hand, one needs to be critical to all established facts and geological models in order to be able to think along new lines. On the other hand, it is crucial that new creative thinking also recognizes all data available, so that new models do not turn into "wishful" thinking.

Concedo finds that project teams function best when they include personalities representing both conservative and more liberal thinking.



**DESTINATION
BARENTS SEA.**



Expectations.



A happy Dirk van der Wel at the Dune du Pyla.

The Aquitaine coast

Last year the Norwegian Petroleum Directorate's FORCE group organized a field trip in the Gironde estuary and Aquitaine coast area (SW France). The field trip was organized in order to study modern reference models for reservoir development in tide- and wave-dominated incised valleys. As a contributing member of the FORCE organization, Concedo participated in the field trip. One of the study areas was the Arcachon Bay which represents the upper part of a river valley which was cut during a drop in sea level in the late Quaternary some 18000 years ago.

About 7000 years ago, the river valley was flooded by the sea and became converted into an estuary. On top of the river deposits an essentially tide-dominated lagoon has developed and sediment input from

ivers is today very limited. Understanding the environment in which various rocks were deposited is essential in predicting reservoir geometries and thus where hydrocarbons can be found. The exploration geologist must always bear present-day examples in mind in a world-wide sense when thinking about how rocks were created in the past. This is of particular importance, especially when looking at geology in virgin areas as in large parts of the Barents Sea today.

In 2012, Concedo engaged Dr. Brad Macurda on some of its Barents Sea projects. Dr. Macurda has lifelong, world-wide experience from dealing with seismic, rocks and their depositional environment. Therefore being able to share in Dr. Macurda's experience and thus find world-wide



Photo: Johan Fredrik Bockelie

Doctor Brad Macurda

examples of the likely environments that deposited the rocks seen deep below the seafloor in parts of the Barents Sea, was of great value to the Concedo exploration team.

Technology downhole

When exploring for oil and gas, much work is put into disciplines like geophysics and geology as well as petrophysics for relevant wells. Despite all these preparations and thorough evaluation of the prospect, drilling is always required to conclude on the reservoir properties and whether the prospect contains oil, gas or water. The time spent on drilling is normally by far the biggest cost item for any exploration well, and is therefore subject to a continuous, highly-focused process for improvements. Tougher HSE-goals (Health, Safety and Environment) and requirements add to this focus and need for improvements.

A remarkable development of the downhole equipment has taken place over the last 30 years. In particular, the bottom hole assemblies have become much more advanced and sophisticated. By digital communication from the BHA downhole to the rig a lot more information is now available real-time and can be used to optimize the drilling process.

One result of the continuous innovation process is related to more stringent HSE requirements. The use of diesel based mud is now banned on the Norwegian continental shelf, and for many years now, diesel based drilling fluid has been replaced by new, environmentally-friendly synthetic oil.

There are no secrets to success. It is the result of preparation, hard work and learning from failure

- Colin Powell (1937 -)

HSE on safe ground

Concedo goes for health, safety and the environment, both in relationship with the oil industry and among our own employees. Concedo is an active participant in the HSE network «SOL» (Small Operators and Licences), administered by Norsk olje og gass.



Wednesday Workout



In Concedo we ensure that everyone can exercise. Staff are invited to various events that strengthen both the psychosocial work environment and the individual's arms and legs.

The Concedo annual skiing trip has become a tradition that everyone looks forward to. Every Wednesday a professional trainer gets all the guys and girls out on the floor for the Concedo weekly exercise. It is hard work to sit in front of the screen all day and we notice that the weekly exercise has been helpful for both joints and blood circulation.

Not least, we have a lot of fun together! And a healthy mind in a healthy body is good for the community.

Licence portfolio

PL 370 / PL 370 B

Concedo gained a 20 % interest in this licence through transactions with Wintershall. The Licence is located close to the Snorre Field and the UK Penguin Field. Operator is Wintershall with 40%. The Kakelborg prospect was drilled in the Licence in the summer of 2012. The well was dry. Evaluation of prospectivity close to the UK border is on-going.

PL 370 B

is an extension of PL 370. Concedo was awarded PL 370 B in the TFO round 2010. Partnership, work programme and decisions are as for PL 370.

PL 531

This Licence was awarded in the 20th round and Concedo holds a 20% interest. This is Concedo's first Licence in the Barents Sea. Operator for the Licence is Repsol with 20%. The work program includes one firm well. Drilling location is now decided and a well will be drilled at the end of first quarter 2013.

PL 607

was awarded in the 21st round. The Licence lies in the west of the Barents Sea immediately north of our PL 531. Concedo acquired a 40% interest and operator is GdF Suez with 60%. Preparations have started for drilling a well in late 2013 / early 2014.

PL 576

After an application in TFO 2010, Concedo was awarded a 40% interest in PL 576. The Licence is in blocks 30/9 and 31/7, directly south of Brage. Operator for the Licence is Lundin who holds a 60% interest. The Licence group has decided to relinquish the Licence.

PL 561

This Licence was awarded Concedo in TFO 2009 with an interest of 20%. The area stretches across the two exploration blocks 6608/7 and 6608/8. PL 561 is situated approx. 30 km northeast of the Nome field and in the vicinity of the discovery in the Dompap prospect. Operator is Wintershall with a 35% interest. The Licence was awarded in the beginning of 2010. A decision to relinquish the Licence has been taken.

PL 588

Concedo was awarded a 30 % interest in PL 588 in round TFO 2010. The Licence lies in block 6407/9, directly north of Draugen. Operator is Rocksource with a 40% interest. The Licence has been relinquished in 2012.

PL 616

In 2011 Concedo applied for open acreage in the Southern North Sea. In February 2012 the acreage was awarded as PL 616. Concedo ASA holds a 20% interest in the Licence which is operated by Edison. The Licence area is situated west of the Hod, Valhall and Embla oil fields and covers block 2/10, and parts of block 2/7, and 2/11. The work program for the Licence is to collect new 3D data. New seismic has been purchased from PGS. A decision to drill has to be made within 2 1/2 years of Licence award.

PL 629

was awarded Concedo in February 2012, following the application for the APA 2011. The Licence lies on a prolific area of the Central North Sea, about 20 km north of the Heimdal Field and is operated by Bridge Energy. Concedo holds a 20%

interest. The work program includes geological/geophysical studies and acquisition of 3D seismic before a drill-or-drop decision within two years from award. New seismic has been purchased from TGS Nopec.

PL 652

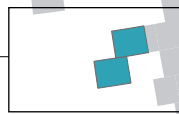
The Licence is located in the Mid Norway area north of the Norne Field, Linerle and Dompap discoveries. It is bordered against PL 561 towards west, north and east. PL 652 was applied for in APA 2011 and awarded in February 2012. Concedo has 20% interest. Wintershall is the Operator. The work program includes G&G studies. The Licence group has decided to relinquish the Licence.

PL 680

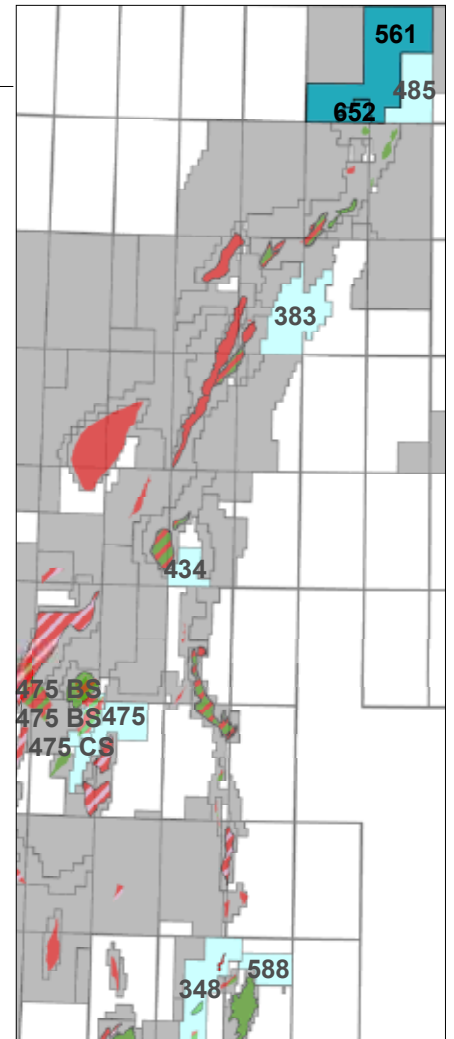
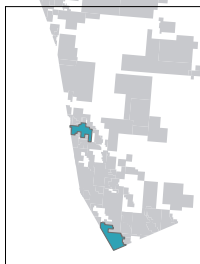
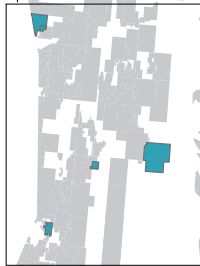
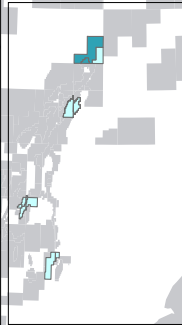
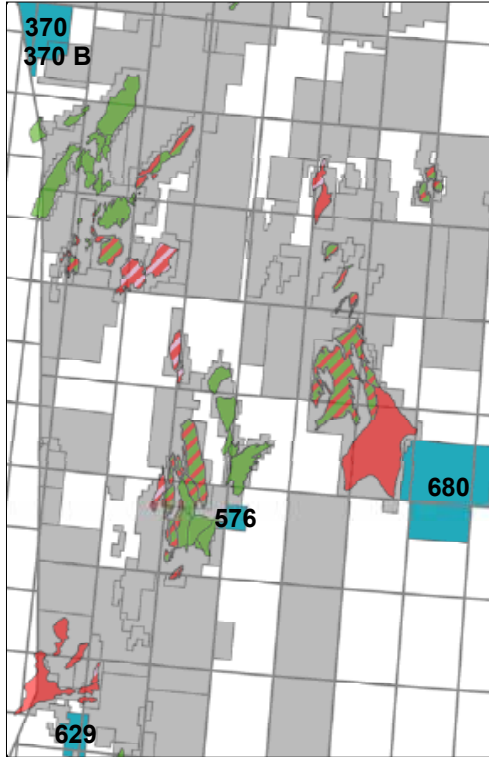
awarded February 2013 and applied for in APA 2012, lies adjacent to the Troll Field, a prolific hydrocarbon province in the Northern North Sea. Concedo holds a 40% share interest. The main target is located to the east of the Troll East Field. The work program contemplates a decision of acquiring 3D seismic or dropping the Licence after one year of G&G evaluation. In a second stage, a two-year drill-or-drop decision is contemplated.

PL 670

Awarded February 2013 and applied for in APA 2012. The Licence is located in the southern North Sea, west of the Ula Field including parts of 7/11 and 7/12. Concedo holds a 20% share interest in the licence with Tullow Oil Norge as operator. The work program includes purchasing and reprocessing 3D seismic, G&G studies and a drill-or-drop decision within two years from the award.



- PL 348 5% divested
- PL 370 20%
- PL 370 B 20%
- PL 383 15% relinquished
- PL 434 21% relinquished
- PL 475 10% divested
- PL 475 BS 10% divested
- PL 475 CS 10% divested
- PL 485 15% relinquished
- PL 531 20%
- PL 561 20% relinquished (2013)
- PL 576 40% relinquished (2013)
- PL 588 30% relinquished
- PL 607 40%
- PL 616 20 %
- PL 629 20 %
- PL 652 20 % relinquished (2013)
- PL 670 20 % awarded (2013)
- PL 680 40 % awarded (2013)





**DESTINATION
BARENTS SEA.**

Opportunities.



DIRECTORS' REPORT 2012

The company has a good platform for working steadily towards its goals of obtaining good awards in licensing rounds and making new oil discoveries.

General

Concedo is a privately-owned public limited liability company focusing on exploration on the Norwegian Continental Shelf. At the end of 2012 the company had a total of nine exploration licences, five in the North Sea, two in the Norwegian Sea and two in the Barents Sea. The company is financially healthy and well positioned to pursue new exploration opportunities.

Objectives and strategy

Concedo's main objective is to be one of the best exploration teams on the Norwegian Continental Shelf (NCS). Its business strategy can be summarized as follows:

- Capitalise on the staff's excellent knowledge of leads and unmapped resources on the NCS
- Focus on those areas most aligned with the strengths of the technical team
- Create value at moderate risk by selling discoveries prior to development

Highlights 2012

The company's financial position has never been better. Sale of the oil discoveries Hyme (PL 348) to Statoil and Maria (PL475/BS/CS) to Wintershall in the preceding years brought Concedo's cash holdings up to about NOK 600 mill at the start of 2012. Therefore, the company was in a position to repay capital to shareholders and distribute dividends totalling NOK 187 million in the beginning of 2012. The company retained a cash balance of approximately NOK 400 mill to support and

strengthen exploration activities, enabling Concedo to participate in about 10 wells in the next five to six years without any infusion of equity, even in a worst case scenario of no discoveries. The company has a good platform for working steadily towards its goals of obtaining good awards in licensing rounds and making new oil discoveries.

After the APA (Awards in Predefined Areas) licensing round in 2011 Concedo was awarded three licences: PL 616 in the Southern North Sea, situated west of the Hod, Valhall and Embla fields covering blocks 2/7 and 2/11. Concedo holds a 20% working interest with Edison as operator. The work program involves obtaining new 3D seismic data and a decision on whether to drill has to be made within 2 1/2 years of licensing.

PL 629 lies in a prolific area of the Central North Sea, about 20 km north of the Heimdal Field and is operated by Bridge Energy. The work program includes geological/geophysical studies and acquisition of 3D seismic before a drill-or-drop decision within two years from the award.

PL 652 is located in the Mid Norway area north of the Norne Field and Linerle/Dompap discoveries. The licence borders on PL 561 towards the west, north and east. Wintershall is the Operator and the work program includes G&G studies. A Drill or Drop (DOD) decision has to be made before February 2013.

The company took active part in preparations for drilling the well in the Kakelborg prospect in PL370. This drilling took place in an attractive area in the northern North Sea. The Paleocene Kakelborg prospect was drilled in the third quarter of 2012, fulfilling the work commitment, but unfortunately the well was dry. However, a discovery across the UK border of the licence sheds new light on the deeper prospectivity of the licences PL 370/PL 370B. The licence group has obtained a six-month extension in order to analyse the prospectivity further and at the same time is applying for partial relinquishment of the licence.

In June 2012, the Ministry of Petroleum and Energy issued the invitation to the 22nd licensing round. This round was aimed at the less-explored areas in the Barents Sea and the Norwegian Sea. 86 blocks were announced, 14 blocks in the Norwegian Sea and 72 in the Barents Sea. By the deadline on 4 December 2012 the Ministry of Oil and Energy had received applications from 36 companies. The Ministry aims at granting new exploration licences before the summer of 2013.

Additional seismic data were acquired and the organisation screened large areas in the Barents Sea. Concedo finally applied, alone and in a group with others, for four areas that had the greatest interest. In the 2012 licencing round APA 2012 the company applied for two licences in the North Sea, and has subsequently been awarded both.

On the financial side, the company will renegotiate the NOK 200 mill. Exploration Finance Facility with DNB and it will be increased to NOK 350 mill in the beginning of 2013 to meet an adequate level of working capital for the exploration program for the next three years.

Concedo was a pro-active partner in licence PL 531 where Repsol is the operator. Concedo was engaged in risk analyses and an audit as part of the preparation process for drilling the Darwin well. The plan is that the well shall be drilled with Transocean Barents in the first quarter of 2013. This licence is located in the Barents Sea, south-west of the Skrugard discovery, which contains both structural and stratigraphic traps.

Business office

Concedo has modern offices in Asker outside Oslo.

History

Until the autumn of 2006, the company was a consultancy firm with expertise in exploration on the Norwegian shelf. After conversion into an oil company, the number of staff was increased and HSE and control systems were established that were adapted to the requirements for an oil company. Its application for pre-qualification as a licensee on the Norwegian shelf was granted in April 2007. From the beginning of 2007 the company had a regular staff of eight employees and ever since has had a core staff with sound experience and competence. The number of staff was increased

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

Research and Development

Concedo is a member of FORCE (Forum for Reservoir Characterisation, Reservoir Engineering and Exploration). FORCE is organised by NPD to stimulate industrial cooperation to improve exploration processes and to enhance recovery of resources on the Norwegian shelf. In 2011, Concedo participated actively in the process of arranging a FORCE seminar on sealing faults.

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

In 2010 Concedo entered into a contract with PetroMarker AS for using a new electromagnetic technology. This new method was used

in the 21st licensing round in evaluation of the area in the Barents Sea that was later awarded as PL 607. In our opinion, this technology has contributed to an increased probability of discoveries in the area. The main results were presented at an international conference in 2011. This technology was also used in several areas during 2012.

Concedo has also been an active participant in the steering group for Norwegian oil and gas licensing policies and the Norwegian Oil Company Scout Group, besides having a representative on the Board of OLF Geodata Trading.

Health, Safety and the Environment

The company's aim is that all activities shall be carried out without injury to human beings or the environment. Safeguarding people, the environment and economic assets is an integral part of our management system and daily operations. There were no injuries or accidents in 2012. Nor were there any spills from licences in which Concedo holds interests.

As a licensee on the Norwegian shelf Concedo bears responsibility for and makes conscious choices designed to minimise risk for itself and its partners. Concedo actively supports the operator through its expertise and experience in preventing undesirable incidents while participating in drilling operations. In connection with the planned drilling operations on the Darwin prospect, Concedo was actively involved in risk assessment and audit meetings in 2012.

The working environment is considered good and there is a continuous effort to improve it further. In 2012, the employees participated in health and environment activities to prevent injuries.

10 days sick leave was recorded, totalling 0.5% for 2012.

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

Gender equality

By the end of 2012 there were eleven employees, one woman and ten men. The Board of Directors consists of five directors, three men and two women. The composition of the Board of Directors satisfies the gender equality requirements in the Act relating to public limited companies. Concedo emphasises equality between the sexes and the equal treatment of all employees.

Corporate Governance

The company's management system also includes guidelines for owner control and company management that are in accordance with Norwegian recommendations. Corporate Governance reflects how the owners, the board of directors and the management interact. Good corporate governance enables the maximisation of shareholder value and reduction of business risk. Concedo aspires, where relevant, to comply with the 15 main points of the Norwegian Code of Practice (NUES) regarding Corporate Governance.

The Board of Directors held eight meetings in 2012. Key strategic and operational issues that were covered:

- Close monitoring of operational and financial performance, in-

cluding Quality, Health, Safety and Environment

- Strategic balancing of portfolio of exploration licences and assessment of licence applications in APA 2012 and 22nd licensing rounds
- Assessment of investment opportunities
- Supervision of risk management processes and internal control reporting
- Self-assessment of the Board's work

Salaries for management and employees

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

Financial Performance 2012

Financial statements are prepared in accordance with the law on public limited liability companies, the Norwegian Accounting Act and generally accepted accounting principles in Norway. To the best of the Directors' knowledge, there are no circumstances of significance for judging the company's position as of 31.12.2012 or the result for 2012 that are not set forth in the annual report and financial statements.

The Directors consider that the annual accounts give a true presentation of Concedo's financial position as of 31.12.2012 and of the result and cash flows during the fiscal year.

Revenues and profits

In 2012 the company had no revenues from sales. The operating result was minus NOK 162.6 mill. The year's loss after tax was NOK 32.4 mill. The company continued investments in exploration activities for a sum total-

ling NOK 182.7 mill. The company claims reimbursement of the tax value of the exploration cost of NOK 174.5 mill. Exploration activities consist of the company's operating expenses, licence costs, seismic surveys and exploration wells. Costs linked with preparation of exploration wells are recognised in the balance sheet. One dry well was drilled during 2012 and this was expensed. Exploration expenses connected to the preparation of wells in the licences PL 531 and PL 607 being drilled in 2013-2014 have been capitalised with 20.5 mill.

Balance sheet and liquidity

At year-end 2012, the company had equity amounting to NOK 386.6 mill, which corresponds to an equity ratio of 72.6 %. The company had NOK 333.3 mill in distributable capital as of 31.12.2012 for possible distribution of dividends. At year-end, it had interest-bearing debt amounting to NOK 133.0 mill, secured by the reimbursement scheme for exploration costs. It is expected that the tax-related reimbursement resulting from exploration activities in 2012, will be NOK 136.1 mill. The company has a loan facility for NOK 200 mill with DNB, i.e. NOK 133.0 mill utilised.

Cash flow

Net cash flow in 2012 was NOK -27.4 mill from operational activities. This

included tax refund of NOK 120 mill. Net cash flow from finance activities was NOK 189.0 mill.

Distribution of profit

A dividend of 187.0 mill was distributed in 2012.

Risk related to operations, financial risks and market risks

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

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

Credit risks

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

Liquidity risks

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

Going concern

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

Future prospects

The Directors are satisfied with the year's activities. The company's ability to convert discoveries into cash has been confirmed. The company enjoys good relations with government authorities, cooperating oil companies and oil and gas organisations in Norway. The company participated in one exploration well in 2012, unfortunately this was dry.

The forthcoming drilling of the Darwin well in the Barents Sea in the first quarter 2013 will be very exciting. The well has a very high volume potential, but also reflects a high risk. Nevertheless, the well will give information and knowledge of importance for exploration of the entire western part of the Barents Sea.

Concedo aims to maintain its position as one of the best exploration teams on the Norwegian Shelf. The financial position and business model create a solid foundation and a basis for good expectations for more eventful years to come.

Asker, 5th March 2013

Olav Fjell
Chairman of the Board

Erik Klausen
Director

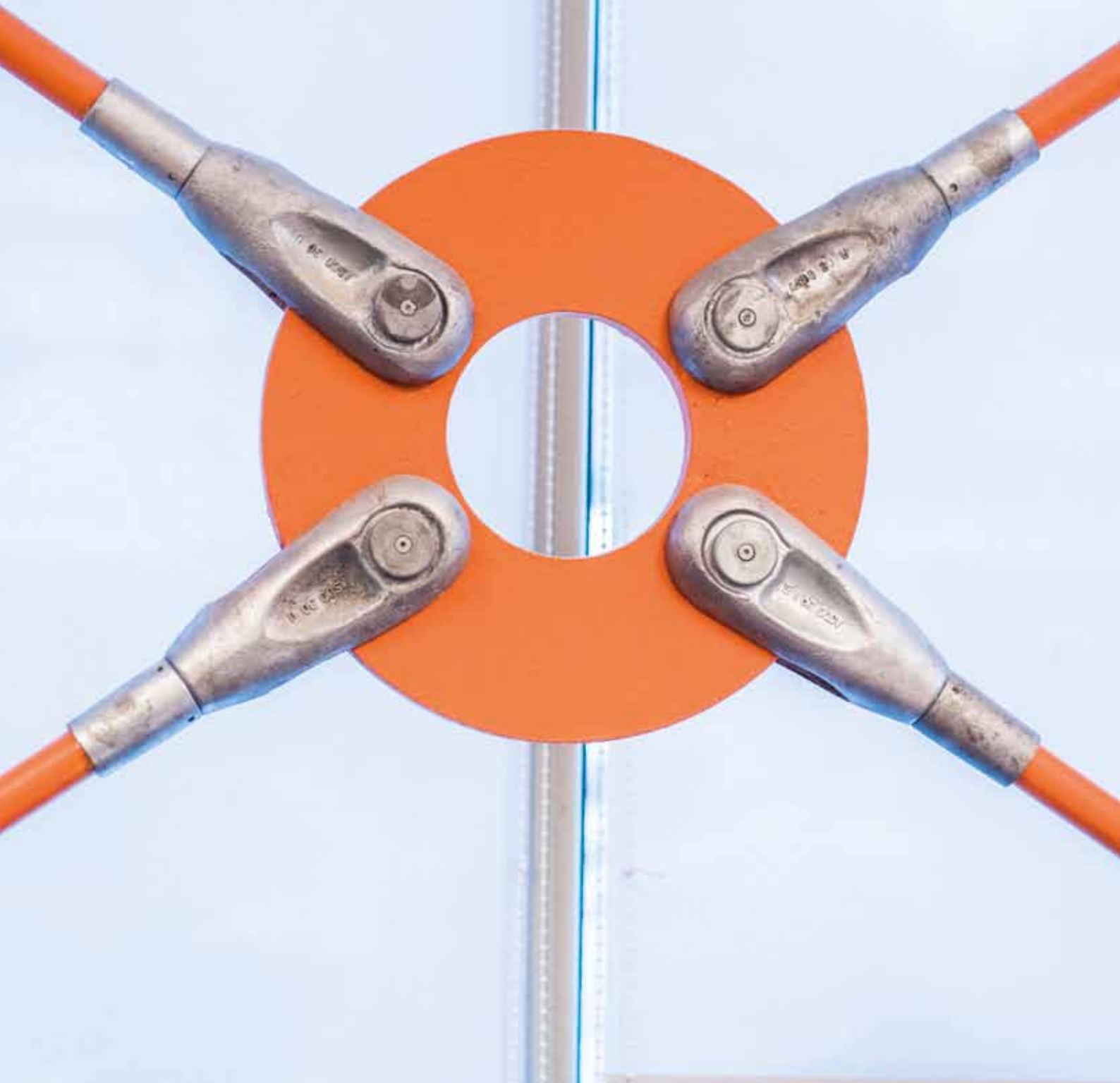
Karen Sund
Director

Hege Wullum
Director

Ben Stanway
Director

Geir Lunde
CEO

ANNUAL STATEMENTS 2012



Concedo ASA

Profit and loss statement 2012

Figures are given in the Norwegian currency NOK

	Note	2012	2011
Sales revenue		0	1 500 000
Other operating revenues	2	0	461 555 697
Total operating revenues		0	463 055 697
Depreciation	4	(441 572)	(558 484)
Exploration expenses	3,10,14	(162 154 282)	(165 346 312)
Total operating expenses		(162 595 854)	(165 904 796)
Operating profit/loss		(162 595 854)	297 150 901
Other interest received		13 983 849	7 231 544
Other financial income		606 956	888 731
Total financial income		14 590 805	8 120 275
Other interest paid		(6 352 326)	(8 412 825)
Other financial expenses		(1 485 244)	(377 371)
Total financial expenses		(7 837 570)	(8 790 196)
Net financial items		6 753 235	(669 921)
Pre-tax profit/ (loss)		(155 842 619)	296 480 980
Income tax	7	123 431 710	172 040 952
Ordinary profit/ (loss)		(32 410 909)	468 521 932
Profit/(loss) for the year		(32 410 909)	468 521 932
Allocation of net profit/(loss) and equity transfers			
Other to/ (from) reserves	6	(32 410 909)	468 521 932
Total		(32 410 909)	468 521 932

Concedo ASA

Balance Sheet as of 31 December 2012

Figures are given in the Norwegian currency NOK

ASSETS	Note	2012	2011
Fixed assets			
Intangible assets			
Deferred tax assets	7	0	8 762 097
Capitalised exploration expenses and licence costs	4	23 512 224	4 937 671
Total intangible assets		23 512 224	13 699 768
Tangible fixed assets			
Fixture and fittings	4	445 190	886 762
Total tangible fixed assets		445 190	886 762
Total fixed assets		23 957 414	14 586 530
Current assets			
Receivables			
Trade debtors		0	0
Other receivables	9	139 584 936	126 128 224
Total receivables		139 584 936	126 128 224
Bank deposits, cash-in-hand etc.	8	369 050 625	605 943 365
Total bank deposits, cash-in-hand etc.		369 050 625	605 943 365
Total current assets		508 635 561	732 071 589
Total assets		532 592 975	746 658 119

Concedo ASA

Balance Sheet as of 31 December 2012

Figures are given in the Norwegian currency NOK

SHAREHOLDERS' EQUITY AND LIABILITIES	Note	2012	2011
EQUITY			
Called up and fully paid share capital			
Share capital (10 946 104 shares à NOK 0,2073631)	5,6	2 269 818	10 845 357
Share premium account	6	1 410 458	29 527 273
Non-registered reduction of capital	6	0	-38 203 559
Other capital paid in	3,6	6 267 542	114 482 099
Total called up and fully paid share capital		9 947 818	116 651 170
Retained earnings			
Other reserves	6	376 616 858	476 679 828
Total retained earnings		376 616 858	476 679 828
Total Equity		386 564 676	593 330 998
LIABILITIES			
Provisions for liabilities and charges			
Deferred tax	7	3 941 386	0
Total provisions for liabilities and charges		0	0
Total long-term liabilities		0	0
Current liabilities			
Debt to credit institutions	11,13	133 000 000	137 381 631
Trade creditors		1 266 880	1 203 803
Other taxes and withholdings		1 384 704	1 402 219
Liabilities to shareholders	6	0	8 096 696
Other current liabilities	12	6 435 328	5 242 772
Total current liabilities		142 086 913	153 327 121
Total liabilities		146 028 299	153 327 121
Total Equity and Liabilities		532 592 975	746 658 119

Asker, 5 March 2013



Olav Fjell
Chairman of the Board



Erik Klausen
Director



Karen Sund
Director



Hege Wullum
Director



Ben Stanway
Director



Geir Lunde
CEO

Concedo ASA

Cash Flow Statement

OPERATING ACTIVITIES	Note	2012	2011
Pre-tax result		-155 842 619	296 480 980
Adjustments for reconciling current year's result with cash flow from operating activities:			
Gain from sale of licence interests		0	-461 555 697
Depreciation, amortisation and write-downs	4	441 572	558 484
Capitalised exploration costs expensed		1 931 286	4 049 817
Other items having no cash effect – subscription rights		2 149 352	2 110 627
Tax reimbursement received in period	7	120 229 627	81 836 928
Other items		0	1 058 489
Change in working capital (except for cash and cash equivalents):			
(Increase) reduction in trade debtors and other receivables		2 448 855	-3 511 063
Increase (reduction) in trade creditors and other current debts		1 238 118	-3 177 813
Cash flow from operating activities		-27 403 809	-82 149 248
INVESTMENT ACTIVITIES			
Investments in fixed assets	4	0	-552 446
Capitalised exploration expenses	4	-20 505 839	-8 028 139
Sale of assets		0	521 843 897
Cash flow spent on investment activities		-20 505 839	513 263 312
FINANCING ACTIVITIES			
Share issue	6	1 511 205	30 567 630
Dividends and repayment of paid-in capital	6	-186 112 666	0
New interest-bearing long-term debt	11	23 500 000	137 381 631
Repayments long-term debt	11	-27 881 631	-82 502 502
Cash flow spent on financing activities		-188 983 092	85 446 759
Net increase (reduction) in cash and cash equivalents		-236 892 740	516 560 823
Cash and cash equivalents at beginning of year		605 943 365	89 382 542
Cash and cash equivalents at end of year		369 050 625	605 943 365

Note 1

Accounting Principles

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

Main principles for valuing and classifying assets and liabilities

Assets intended for permanent ownership or use are classified as fixed assets. Other assets are classified as current assets. Receivables due within one year are classified as current assets. Classification of current and long-term liabilities is based on the same criteria.

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

Current assets are valued at the lower of historical cost and fair value.

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

Interests in oil and gas licences

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

Accounting for oil and gas operations

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

ration costs, are expensed. Exploration wells that have shown reserves, but where classification as proven reserves depends on whether substantial investments are justified, may remain capitalised for more than one year. Capitalised exploration wells and acquisition costs are reviewed continuously for impairment.

Receivables

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

Bank deposits, cash in hand, etc.

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

Revenue

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

Expenses

Expenses are generally entered in the same period as the corresponding income. If there is no distinct connection between the expenses and the revenue, cut-off will be made at discretion. Other exceptions from the matching principle are explained where they occur.

Leasing agreements

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

Pensions

The company is required to maintain an occupational pension scheme in accordance with the Norwegian Act relating to mandatory pensions ("Lov om obligatorisk

tjenestepensjon"). The company's pension scheme satisfies the requirements in that Act. Contribution plans are accrued according to the matching principle. The year's contribution to the pension scheme is expensed.

Share-based remuneration

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

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

Taxes

Tax expenses are matched with book income before tax.

Tax expenses consist of payable tax (tax on the year's direct taxable income), change in net deferred tax and anticipated reimbursements related to exploration costs. Deferred tax and deferred tax benefits in the same tax regime are presented net in the balance sheet. Deferred tax benefit is capitalised provided that the future use is rendered probable.

Cash flow analysis

The cash flow analysis is prepared using the indirect method.

Note 2

Sales revenues

	2012	2011
Consulting services/ Income in Norway	0	1 500 000
Gain from sale of licence	0	461 555 697
Total	0	463 055 697

Note 3

Payroll costs, number of employees, benefits etc.

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

Payroll costs	2012	2011
Salaries	13 420 715	12 991 035
Employers payroll tax	3 908 706	5 444 242
Pension costs	772 606	697 499
Share-based remuneration	2 149 352	2 110 627
Other benefits	217 648	253 622
Total	20 469 027	21 497 025
Number of man-years employed during the financial year	11	11

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)	1 393 966	86 015	546 930
Olav Fjell (Board Chairman)			150 000
Erik Klausen (Director and HSE manager)	1 331 325	81 758	539 426
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. For subscription rights awarded to the CEO and directors in connection with the incentive scheme, see Note 5. Consultant services of NOK 250.000 excl. VAT were purchased from Fjellvit AS, a company owned by the Chairman of the Board.

Share-based remuneration

With the approval of the AGM the Directors of Concedo have awarded the employees 932 703 subscription rights as of 1 January 2012. During 2012 the amount of 100 747 subscription rights were exchanged into shares. On 14 December 2012 the Directors decided to distribute 29 407 subscription rights in accordance with the guidelines for remuneration of senior management.

The fair value of the subscription rights awarded, calculated according to Black & Schole's option pricing model, was NOK 7 857 000. NOK 2 149 000 was expensed in 2012, such that the provisions at the end of the year 2012 is NOK 6 267 000. The calculation is based on a risk-free interest (Government bonds with 3-5 years maturity), and expected exercise of subscription rights after 48 months. The standard deviation from the expected yield is estimated at 50 %.

Number of subscription rights

	2012	2011
Outstanding as of 1 January	932 703	916 408
Awarded during year	29 407	59 167
Forfeited during year	0	0
Exercised during year	-100 747	-42 872
Expired during year	0	0
Outstanding as of 31 December	861 363	932 703

Average gross exercise price is NOK 21.10 per share. According the prevailing conditions related to the subscription rights the exercise price is adjusted for distribution of dividends.

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

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

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

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

should be subject to prior approval by the General Meeting. Therefore the company presents these guidelines and the proposed incentive programme to the annual general meeting of Concedo ASA.

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

The guidelines and compliance in 2012:

The Board established guidelines for 2012 for Managing Director, other senior executives and the Board members. The guidelines were processed at the company's annual general meeting in 2012 and described in the Concedo Annual Report 2011.

For the year 2012 subscription rights were allocated for the equivalent of 10 % 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 47.50 per share evaluated by an independent expert. In accordance with the guidelines, company employees thus have an opportunity to subscribe shares as follows:

Name	Price/share (NOK)	Subscription rights
Geir Lunde	47,5	2 894
Erik Klausen	47,5	2 771
Morten Hedemark	47,5	2 771
Nils Fagerland	47,5	2 771
Ole H Fjelltun	47,5	2 771
Arve Gulbrandsen	47,5	2 771
Odd E Baglo	47,5	2 771
Elisabet Malmquist	47,5	2 216
Enric Leon	47,5	1 284
Dirk van der Wel	47,5	1 662
Anders Finstad	47,5	2 358
Total	47,5	27 040

The incentives to the members of the Board, as described below, follow the guidelines drawn up for the company's employees. For the year 2012 subscription rights for the equivalent of 25 % of the Director's fees were allocated. Every subscription right gives the right to issue one share in the company at a price corresponding to an estimated market price of NOK 47.50 per share. The members of the Board of the company thus have an opportunity to subscribe shares according to the guidelines:

Name	Price/share (NOK)	Subscription rights
Olav Fjell	47,5	789
Erik Klausen	47,5	0
Karen Sund	47,5	526
Hege Wullum	47,5	526
Ben Stanway	47,5	526
Total	47,5	2 367

29 407 subscription rights were allocated in 2012 that can be exercised after 3 years and before 5 years, pursuant to Board Resolution of 14 December 2012 on the basis of the approved guidelines for 2012 and detailed conditions to be decided in the General Meeting 2013.

Guidelines for 2013:

At the annual general meeting in 2013 the Directors will present the following statement regarding pay for the CEO, other senior staff and the Directors in 2013:

(i) Basic pay:

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

(ii) Incentive programme:

In addition to the fixed basic pay, the Directors propose that the present incentive programme with subscription rights in the company, be continued. The incentive programme shall normally be allocated each year and the subscription rights allocated by the Directors, based on recommendations from the CEO within the framework of the resolution adopted by the general meeting. Subscription rights under this scheme shall be allocated according to specifically designated targets achieved by the company, and shall normally be issued to all employees.

Pursuant to the Directors' guidelines, the number of subscription rights shall be calculated by dividing a percentage – maximum 40% - of the annual pay earned by the employee during the year, by the market price of the shares. The maximum number of subscription rights for each employee will therefore be equivalent in value to up to 40% of the employee's earnings during the year, divided by the market price of the shares. The market price of the shares will be determined by an arm's length public accountant or other arm's length person having expert knowledge of

the matter. Subscription rights can at the earliest be exercised at IPO or if the company is sold. Otherwise the subscription rights may be exercised at any time whatsoever in the period between 3 and 5 years after the allocation date. It is a condition for exercise of subscription rights, however, that the person concerned is still an employee of the company or a pensioner. For Directors who are not employed by the company, the number of subscription rights shall, pursuant to the Board guidelines, be calculated by dividing a part – maximum 100% - of the annual fee by the market price of the shares. The maximum number of subscription rights for each Director will therefore be equivalent in value to up to 100% of that Director's fee during the year, divided by the market price of the shares. The market price of the shares will be determined by an arm's length public accountant or other arm's length person having expert knowledge of the matter. Subscription rights can at the earliest be exercised at IPO or in the event of sale of the company. Subscription rights can otherwise be exercised at any time between 3 and 5 years from the allocation. Exercise of subscription rights is not dependent on whether he or she is the member of the Board of the company or not. Nothing is paid for the subscription rights issued. Each of these subscription rights entitles the person to subscribe for one share in the company at a price corresponding to the average market price of the shares at the end of the year for which the incentive decision applies, as the price of the shares is determined by an arm's length public accountant or other arm's length person having expert knowledge of the matter.

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

(iii) Bonus scheme:

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

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

Bonus will not normally be awarded in the form of money, but as subscription rights in the company. In the same way as under the incentive programme, maximum 40% of the person's pay from the company may be given per year as a bonus and therefore the subscription rights given as bonus shall be calculated by dividing the appropriate percentage of the employee's earnings by the market price of the shares. The market price of the shares shall be determined by an independent public accountant or other independent person having expert knowledge of the matter.

Subscriptions rights may be exercised at the earliest by stock market introduction or by sales of the company. Otherwise, subscription rights can be exercised at any time during the period from 3 years to 5 years from the time of assignment.

Auditor

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

	2012	2011
Statutory audit	160 000	175 000
Audit-related services	27 310	66 625
Certification services	10 200	79 450
Tax related services	57 100	

Note 4

Tangible/ Intangible assets

	FF&E	Plant & Machinery	Purchases of licence interests, exploration wells	Total
Cost Jan 1.	2 091 851	77 725	4 937 671	7 107 247
Additions			20 505 839	20 505 839
Disposal			-1 931 286	-1 931 286
Cost Dec 31.	2 091 851	77 725	23 512 224	25 681 800
Acc. depreciation at Jan 1.	1 231 223	51 591		1 282 814
Current year's depreciation	431 406	10 166		441 572
Acc. depreciation Dec 31.	1 662 629	61 757		1 724 386
Book value as of Dec 31.	429 222	15 968	23 512 224	23 957 414
Economic life	3-5 yrs	5 yrs		
Depreciation schedule	Linear	Linear		

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

Note 5

Note 5 Share capital and shareholders

As of 31.12.12 the company share capital consisted of one class of shares, all of which bear the same voting rights. Acquisition of shares by purchase or as a gift or by any other means requires board approval.

	Number of shares	Nominal value	Book value
Shares	10 946 104	0,2073631	2 269 818
Total	10 946 104		2 269 818

Subscription rights

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

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

Name	Number of rights	Sub- scription Price (NOK)	Total Price (NOK)	Allocation date
Employees	237 333	15,00	3 559 995	Annual General Meeting 29. May 2009
Employees	296 000	11,25	3 330 000	Annual General Meeting 28. May 2010
Employees	239 456	30,00	7 183 680	Board Meeting 17. December 2010
Employees and Directors	59 167	60,00	3 550 020	Board Meeting 16. December 2011
Employees and Directors	29 407	47,50	1 396 833	Board Meeting 14. December 2012
Total	861 363		19 020 528	

The above figures include 112 625 subscription rights allocated to Geir Lunde, 108 255 to Erik Klausen, 2456 to Olav Fjell, 1637 to Karen Sund, 1637 to Hege Wullum and 1637 to Ben Stanway in connection with the incentive scheme.

Ownership structure

The ten largest shareholders as of 31.12.2012

Name	Number of shares	% of interests	Home country / Country of registration
H. M. STRUCTURES LIM	2 983 609	27.26	CYP
EUROCLEAR BANK S.A.	2 580 000	23.57	BEL
MEGABAS AS	2 176 449	19.88	NOR
HEATHLANDS HOLDING	503 967	4.60	CYP
GOLDMAN SACHS INT.	334 868	3.06	GBR
KNUTSEN JOHN ERIC TA	250 000	2.28	NOR
UBS AG ZURICH	220 000	2.01	CHE
GOLDMAN SACHS & CO	212 205	1.94	USA
SIX SIS AG	170 000	1.55	CHE
FJELLVIT AS	154 529	1.41	NOR
OTHER SHAREHOLDERS	1 360 477	12.44	Miscellaneous
Total	10 946 104	100.00	

Shares owned by Directors and CEO

Name	Office	Number of shares
Olav Fjell by 100% in Fjellvit AS	Board Chairman	154 529
Geir Lunde by 16,4% in Megabas AS	CEO	356 938
Erik Klausen by 16,4% in Megabas AS	Director	356 938
Ben Stanway	Director	68 333
Erik Klausen by Safeway AS	Director	24 796
Karen Sund by Sund Energy AS	Director	2 307

Note 6

Equity

	Share capital	Share Premium Account	Unreg. reduction of capital	Other contributed capital	Other reserves	Total
Equity at 1 January	10 845 357	29 527 273	-38 203 559	114 482 099	476 679 828	593 330 998
Subscription rights				2 149 352		2 149 352
Share issue	100 747	1 410 458				1 511 205
Transfer	-8 676 286	-29 527 273	38 203 559			0
Dividends and repayment of paid-in capital				-110 363 909	-67 652 061	-178 015 970
Profit/ Loss for the year					-32 410 909	-32 410 909
Equity at 31 December	2 269 818	1 410 458	0	6 267 542	376 616 858	386 564 676

The value of subscription rights expensed in 2012 of NOK 2 149 352 has been calculated according to Black-Scholes formula. On 14th March 2012 subscription rights were exchanged into shares at the price of NOK 15 per share giving a share capital increase of NOK 100 747 at a nominal value of NOK 1 per share and the amount of NOK 1 410 458 was transferred into the Share Premium Account. After the capital increase 14th March 2012 a capital decrease of NOK 8 676 286 and NOK 29 527 273 were undertaken. The new share capital at the end of the year is NOK 2 269 818 consisting of 10 946 104 shares at a nominal value of 0.207363131.

Note 7

Income tax

Income tax for the current year is calculated as follows:

	2012	2011
Adjustment for tax earlier years	1 717	187 057
Change in deferred tax	12 703 482	-51 996 665
Tax value of exploration costs (See Note 9)	-136 136 909	-120 231 344
Tax cost on ordinary income	-123 431 710	- 172 040 952

Reconciling nominal and actual tax rates:

	2012	2011
Pre-tax profit/loss	-155 842 619	296 480 980
Anticipated income tax at nominal rate (28%)	-43 635 933	83 014 674
Tax effect of following items:		
Adjustment for tax earlier years	1 717	187 057
Non-deductible expenses	608 170	516 679
Non-taxable income	0	-143 500 000
Tax effect of interest on loss for carrying forward (50%)	-183 341	-103 820
Effect of surtax (50%)	80 222 324	-112 155 542
Income tax	-123 431 710	-172 040 953
Effective tax rate	79%	-58%

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

	2012		2011	
	Deferred tax asset	Deferred tax liability	Deferred tax asset	Deferred tax liability
Exploration expenses and licence costs		18 018 444		3 615 195
Provisions for liabilities	3 713 608		2 727 746	
Loss to be carried forward	10 363 451		9 649 546	
Total	14 077 058	18 018 444	12 377 292	3 615 195
Of which netted	-14 077 058	-14 077 058	- 3 615 195	- 3 615 195
Net deferred tax asset/ liability		3 941 386	8 762 097	

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 petrole-

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

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

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

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

Note 8

Bank deposits

Bank deposits, cash in hand etc. includes non-distributable withheld tax in the sum of NOK 817 070,- and a rental deposit of NOK 624 293,-

Note 9

Other receivables

For the 2012 tax assessment the company claims reimbursement of the tax value of petroleum exploration costs totalling NOK 136 136 909 (2011: NOK 120 231 344), see

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

Note 10

Leasing agreements

Annual rental for non-capitalised assets amounts to NOK 934 460 (2011: 749 512),

which relates to rent for the office premises in Asker. The tenancy was renewed towards

the end of 2011; the remaining period of tenancy being 5 years.

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 margin of 2.45%.

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

As of 31 December 2012 withdrawals totalled NOK 133 000 000. We have calculated the tax reimbursement as being NOK 136 136 909, see notes 7 and 9. 95% of the estimated tax reimbursement amounts to NOK 129 330 064, so that withdrawals exceed the maximum permitted by NOK 3 669 936 as of 31 December 2012. Therefore a sum of NOK 3 669 936 will be repaid on 22nd March 2013, in accordance with the credit line agreement.

The loan is secured by the tax reimbursement scheme, 20% in PL 531, 20% 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 current liabilities include salaries, holiday pay etc. totalling NOK 1 469 421.

Note 13

Financial market risk

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

everyday operations. The company does not trade in derivatives.

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

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

Note 14

Exploration costs

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

	2012	2011
Salary and other payroll, ref note 3	20 469 027	21 497 025
Seismic, drilling and general licence expenses	132 479 583	134 916 151
Other operating costs linked with exploration	9 205 673	8 933 136
Total	162 154 282	165 346 312

Exploration costs, capitalised and expensed, totalled NOK 182 660 121 in 2012 (2011: NOK 173 374 450). Exploration expenses eligible for tax refunds amount to NOK 174 534 499.

Note 15**Licences**

PL370/PL370B – Concedo gained 20 % interest in this licence through transactions with Wintershall. The licence is located close to the Snorre Field and the UK Penguin Field. Operator is Wintershall with 40%. The Kakelborg prospect was drilled in the licence in the summer of 2012. The well was dry. Evaluation of prospectivity close to the UK border is on-going.

PL 370 B is an extension of PL 370. Concedo was awarded PL 370 B in the TFO round 2010. Partnership, work programme and decisions are as for PL 370.

PL 531 – This licence was awarded in the 20th round and Concedo holds a 20% interest. This is Concedo's first licence in the Barents Sea. Operator for the licence is Repsol with 20%. The work program includes one firm well. Drilling location is now decided and a well will be drilled at the end of first quarter 2013.

PL607 - PL 607 was awarded in the 21st round. The licence lies in the west of the Barents Sea immediately north of our PL 531. Concedo acquired a 40% interest and operator is GdF with 60%. Preparations have started for drilling a well in late 2013/early 2014.

PL576 – After an application in TFO 2010, Concedo was awarded a 40% interest in PL 576. The licence is in blocks 30/9 and 31/7, directly south of Brage. Operator for the licence is Lundin who holds a 60% interest. The Licence group has decided to relinquish the licence.

PL 561 – This licence was awarded Concedo in TFO 2009 with an interest of 20%. The area stretches across the two exploration blocks 6608/7 and 6608/8. PL 561 is situated approx. 30 km northeast of the Norne field and in the vicinity of the discovery in the Dompap prospect. Operator is Wintershall with a 35% interest. The licence was awarded in the beginning of 2010. A decision to relinquish the licence has been taken.

PL588 - Concedo was awarded a 30 % interest in PL 588 in round TFO 2010. The licence lies in block 6407/9, directly north of Draugen. Operator is Rocksource with a 40% interest. The licence has been relinquished in 2012.

PL 616 -In 2011 Concedo applied for open acreage in the Southern North Sea. In February 2012 the acreage was awarded as PL 616. Concedo ASA holds a 20% interest in the licence which is operated by Edison. The

licence area is situated west of the Hod, Valhall and Embla oil fields and covers block 2/10, and parts of block 2/7, and 2/11. The work program for the licence is to collect new 3D data. New seismic has been purchased from PGS. A decision to drill has to be made within 2 1/2 years of licence award.

PL 629 - PL629 was awarded Concedo in February 2012, following the application for the APA 2011. The licence lies on a prolific area of the Central North Sea, about 20 km north of the Heimdal Field and is operated by Bridge Energy. Concedo holds a 20% interest. The work program includes geological/geophysical studies and acquisition of 3D seismic before a drill-or-drop decision within two years from award. New seismic has been purchased from TGS Nopec.

PL 652 - The licence is located in the Mid Norway area north of the Norne Field, Linerle and Dompap discoveries. It is bordered against PL 561 towards west, north and east. PL 652 was applied for in APA 2011 and awarded in February 2012. Concedo has 20% interest. Wintershall is the Operator. The work program includes G&G studies. The licence group has decided to relinquish the licence.

Note 16**Subsequent events**

PL680 - awarded February 2013 and applied for in APA 2012, lies adjacent to the Troll Field, a prolific hydrocarbon province in the Northern North Sea. Concedo holds a 40% share interest. The main target is located to the east of the Troll East Field. The work program contemplates a decision of acquiring 3D seismic or dropping the licence after one year of G&G evaluation. In a second stage, a two-year drill-or-drop decision is contemplated.

PL670 - awarded February 2013 and applied for in APA 2012. The Licence is located in the southern North Sea, west of the Ula Field including parts of blocks 7/11 and 7/12. Concedo holds a 20% share interest in the licence with Tullow Oil Norge as the operator. The work program includes purchasing and reprocessing 3D seismic, G&G studies and a drill-or-drop decision within two years from the award.

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, 2012, and the income statement, showing a loss of NOK 32.410.909 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 Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements are prepared in accordance with the law and regulations and give a true and fair view of the financial position of Concedo ASA as at December 31, 2012, 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 coverage of the loss

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 that the proposal in the financial statements for the coverage of the loss 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 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 5, 2013
Deloitte AS



Mette Herdlevær
State Authorised Public Accountant (Norway)



THE BOARD OF DIRECTORS



OLAV FJELL

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



KAREN SUND

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



HEGE WULLUM

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



ERIK KLAUSEN

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



BEN STANWAY

Ben Stanway is an entrepreneur and investor. He was formerly a senior partner at London-based Habrok Capital Management, responsible for global investments in a variety of sectors including oil&gas. He is a founding shareholder in a number of international energy companies and holds a BSc in Business Administration from the University of Bath.





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PEOPLE 2012



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, 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.



MORTEN HEDEMARK

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



OLE HERMAN FJELLTUN

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



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

Principal production 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.

