

Annual Report  
**2017**

A photograph of a grey egg with a cracked shell, positioned centrally on the page. The egg is shown from a slightly low angle, casting a soft shadow on the white background. The cracks are most prominent at the base of the egg.

**Eureka!**

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

Concedo was pre-qualified as a licensee in 2007, and has since then been awarded licence shares in the annual concession rounds (APA rounds) and the numbered rounds. Discoveries have been successfully sold to Statoil and Wintershall.



**Serendipity:** The New Oxford Dictionary of English defines serendipity as the occurrence and development of events by chance in a satisfactory or beneficial way, understanding the chance as any event that takes place in the absence of any obvious project (randomly or accidentally), which is not relevant to any present need, or in which the cause is unknown. Innovations presented as examples of serendipity have an important characteristic: they were made by individuals able to "see bridges where others saw holes" and connect events creatively, based on the perception of a significant link.

*The term serendipity was coined by Horace Walpole in 1754. In a letter he wrote to his friend Horace Mann, Walpole explained an unexpected discovery he had made about a (lost) painting of Bianca Cappello by Giorgio Vasari by reference to a Persian fairy tale, The Three Princes of Serendip. The princes, he told his correspondent, were "always making discoveries, by accidents and sagacity, of things which they were not in quest of".*

*Wikipedia*



# Random? Hardly.

Gut feeling is nothing but accumulated knowledge and experience gained by lifelong learning. Some discoveries might require a genius, but they also need some lucky element for the genius to act on.



## Message from the CEO

It seems to me that the Norwegian petroleum industry has not wasted the opportunity to improve during the oil price crisis. Break-even costs for new field development projects have dropped dramatically, typically to 30 USD/bbl, and are now very competitive with even the best oil-shale production projects. The industry is more innovative than ever and oil companies are still benefiting from low rig rates. The climbing oil price, combined with reduced operating costs, is leading to increasing oil-producer profits. The exploration results, however, have been below expectations over the last few years - globally, in Norway and for Concedo.

Concedo's main objectives have been to secure good exploration licences and improve its ability to de-risk these prior to drilling. Both Concedo and the industry in general see the need to improve the de-risking process. Evaluation and the early application of new technologies are probably the best ways to do this. In certain geographical areas, some of the new technologies seem to be having a technological breakthrough now. In this annual report, we will describe some examples of innovation that Concedo is contributing to. We have had cautious drilling activity during the oil price crisis and now, in the years ahead, we see the opportunity to participate in exploration wells at favourable costs.

We noticed with pleasure that the Maria field started production in December 2017. Maria has so far been the most important discovery for Concedo and we are happy it is now one of the fields demonstrating strong value creation from exploration for the Norwegian society. The Norwegian state will probably receive about NOK 50 billion in tax income from this field alone. Thanks to the operator, Wintershall, and the Norwegian supply industry, this field has been developed

at high speed and low cost. The break-even cost is about 30 USD/bbl. Maria also contributes to the profitability of the existing infrastructure on Haltenbanken.

During 2017, Concedo only had a small share in one well, the Goliat Eye prospect. This resulted in a well with oil shows. We are now in the process of evaluating the up-dip potential and the implications for surrounding acreage.

Where is the next Maria? Possibly in our portfolio of exploration licences. As an active partner, Concedo will carry out sound technical work to contribute to the important decisions that will be made on several of our licences in 2018.

The APA 2017 awards were announced on 16 January 2018. Concedo was awarded five new licences. The work programme for PL 925 (10% Concedo, 90% the operator Wellesley) is to drill two wells in 2018. The licence also covers part of the Grosbeak discovery. The two prospects to be drilled are seen as attractive by Concedo and new discoveries may lead to new field development solutions for the area.

During the preparation and drilling phases of its exploration wells, Concedo has an important role to play in performing its see-to-it duty in order to reduce the risk of serious accidents as well as to optimize its operations.

Lundin is a very active operator in the area close to the Edvard Grieg and Johan Sverdrup fields in the North Sea. During 2018, this company will operate a very special kind of appraisal well on the Rolvsnes discovery. Lundin and partners will drill a long horizontal well with planned production testing. Similar geology is expected in the neighbouring Goddo prospect in

You never let a serious crisis go to waste. And what I mean by that it's an opportunity to do things you think you could not do before.

**Rahm Emanuel**

PL 815, where Concedo has a 20% share. Both Rolvsnes and Goddo are located above the oil-water contacts in the Edvard Grieg and Johan Sverdrup fields. The presence of oil is therefore very likely and the key uncertainty is the producability of the uppermost zone of the weathered and fractured basement in the area.

2017 was Concedo's 10th anniversary as an oil company. During these 10 years, we have made some high-value discoveries that we have sold at acceptable prices. We have drilled too many dry wells, but fortunately with low shares. We have generated at least 16% annual return on the capital invested in the company back in late 2006, but we think we can improve by the application of better de-risking tools that are now available to us.

The organization, with excellent support from GeoCore in Bergen and some top specialists in the industry, is full of human energy and our goal is to transform some of that energy into subsurface energy in 2018 as new attractive discoveries are made for the Norwegian society and our shareholders.

*Geir Lunde*  
Geir Lunde  
CEO





We all know the story of the naked man who ran out of the house and shouted Eureka! Archimedes had been commissioned to find out if the king's new crown was of real gold or whether it was mixed in silver. The net weight of pure gold was known after weighing accurately measured objects. The royal crown could not be measured, since it was a jeweller's work with a very complex shape. The solution to how to find the volume of the crown was discovered when he felt his own buoyancy in the bath.

*Archimedes born 287 BC in Syracuse, Sicily, died in 212 BC, was a mathematician, physicist and inventor of ancient Greece. Although little is known from his life and few of his writings are preserved, he is considered one of the most important scientists in classical antiquity. In addition to making important discoveries in mathematics and geometry, he has gained credit for making machines and devices that were far ahead of his time.*

# Eureka!

The brain is working all the time. No matter what insignificant problem to solve, the answer comes when you least expect it.



# Recent developments in seismic acquisition technology – «Broadband Seismic Data»

In the search for oil and description of reservoirs, good seismic images are the most important source of information together with well data. Seismic data are generated by sending sound waves into the underground and recording when the reflected signal returns to surface. The sound waves are made by air guns being fired at the surface, and the returning signals are recorded by hydrophones (recording water pressure) or geophones (recording displacements in three directions). In marine seismic, a ship will fire air guns close to the ship and record the signal in hydrophone cables several kilometres long.

In order to produce pictures of the underground, the seismic recordings of geologic structures must be separated from all kinds of noise and signals not containing useful information. In particular, signals generated by sound waves jumping up and down between seismic reflectors (seismic multiples), must be removed. On the ship, signals are recorded in a digital format and several months of computer time are required to separate signals from noise.

To get good seismic images, the sound waves should contain both low, intermediate and high frequencies. Low frequencies provide deep penetration into the ground, but give little detail. High frequencies provide high resolution images, but do not penetrate very deep. The amount of low and high frequencies define the signal bandwidth. Narrow bandwidth means only intermediate frequencies while broad bandwidth (broadband) means that both low and high frequencies are present in the signal. During the last years, new techniques giving us “broadband” seismic, have improved the seismic images significantly.

One major source of noise is generated by sound waves going from the air gun up to the surface where it is reflected downwards. In this reflection, which is very strong, the high and low ends of the frequency spectrum will be distorted and a signal with inferior bandwidth is travelling downwards. This is called the “ghost effect” and the methods used to achieve a broader bandwidth is called de-ghosting. These methods include both acquisition configurations (e.g. slant cable and multicomponent cable) and computer processing methods.

Conventional seismic processing algorithms are often not suitable for the new broadband techniques. Some steps perform well while other needs modification, particularly for the processing of low frequencies. Attempts at aggressive de-ghosting resulted in some early failures of the technology.

## Benefits of broadband seismic data

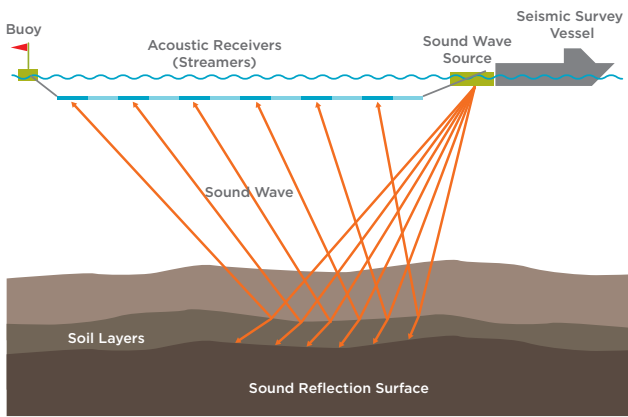
In reservoir characterization projects, attempts are made not only to describe reservoir structure, but also rock and fluid properties and also mapping of thin beds and small faults. Seismic inversion is a processing technique trying to remove the effect of a long seismic wave and replace it by a sharp pulse, thus giving a sharper picture of the underground. Broadband low frequencies help during seismic inversion and high frequencies give high resolution images.

## Multi source and blended acquisition

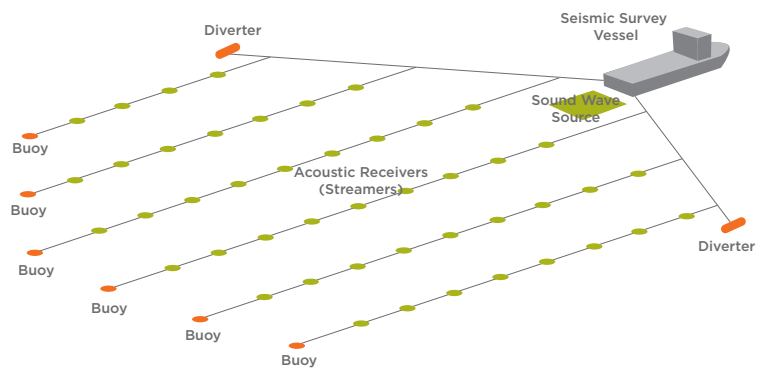
High-resolution imaging is becoming more important in new challenging areas with hard-to-find hydrocarbons. Three dimensional (3D) seismic surveys are acquired by covering the surface with seismic signals and processing all the recordings to generate a 3D cube that can be interpreted in lines and crosslines and all possible intersecting planes.

The conventional method is to fire the airguns and wait for the signal to return before the next shot is fired. New methods allow shots to be fired more frequently and the result is a much denser sampling of the underground and thus more detailed images. This method also helps improving the signal-to-noise ratio generally.

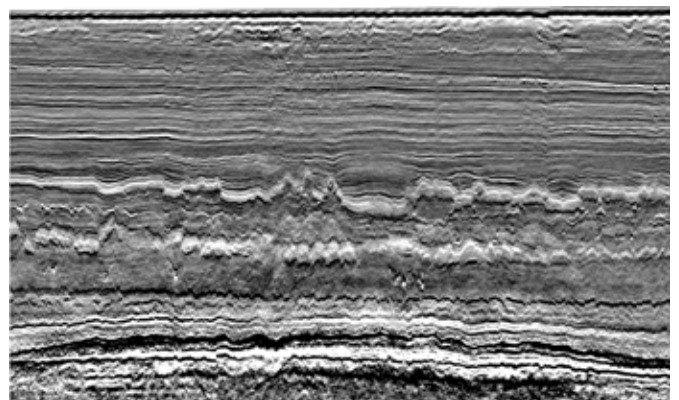
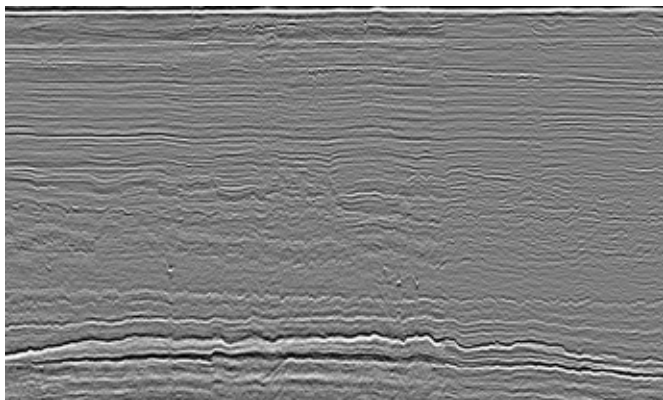
During acquisition, the ship is sailing back and forth across the mapping area (inline direction), shooting densely spaced signals and recording dense signals returning to the surface. In the perpendicular direction (crossline) the subsurface sampling is not so good and this generates some problems during processing. With the possibility to fire air guns simultaneously or in rapid succession, additional air guns can be added to also produce dense sampling in the crossline direction. This will contribute to better 3D demultiple processing, less migration noise and overall better imaging of the subsurface.



Seismic surveys map the seafloor and measure the thickness of sediments. Some of the energy in the sound waves reflects (echoes) off the seafloor and some of the energy penetrates into the earth below the seafloor and reflects off various geologic layers. Sound sources and receivers are towed underwater behind the ship. Data are recorded almost continuously as the ship advances.



3-D seismic survey- towed streamers. During acquisition, the ship is sailing back and forth across the mapping area, shooting densely spaced.



Conventional (left) versus Broadband 3-D Data (right). In broadband data we can see a clear differentiation between sedimentary packages

# Concedo and the use of electromagnetic surveying as an exploration tool

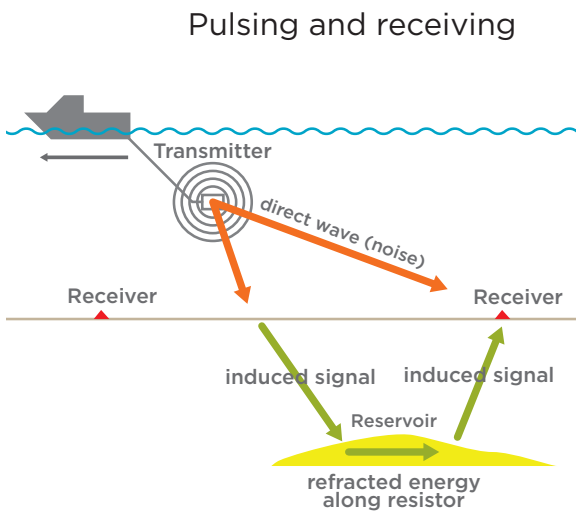
The fact that hydrocarbons have much higher electrical resistivity than salt water makes electromagnetic methods suitable for their detection. The resistance to electric flow exhibited by oil and gas can be measured in a well resistivity log to identify hydrocarbons. On a larger scale, electromagnetic surveys can be acquired to map resistivity anomalies at exploration targets.

Electromagnetic surveying techniques have been used in marine exploration for decades, but they have only had commercial impact for the oil and gas industry over the last 15 years. Both natural (magneto-telluric or MT) and artificial (controlled-source or CSEM) signals carry relevant information from the subsurface. However, as they are generated and measured within the water layer and close to the sea bottom, CSEM signals provide higher-resolution data, suitable for detecting resistivity anomalies on the scale of many commercial hydrocarbon reservoirs.

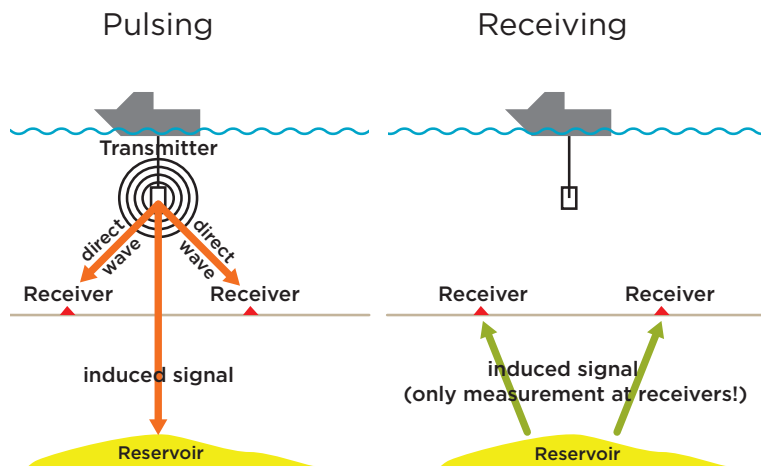
CSEM as an exploration tool for the oil and gas industry was officially “born” in 2002 when Statoil put into practice its newly developed “seabed logging technology” off the coast of Angola in 1,200m-deep waters. Today, fifteen years later, marine CSEM has become an important and widely used de-risking tool for the oil and gas industry, considered to a large extent complementary to seismic methods.

The early development of marine CSEM technology has been strongly dominated by Norway-based company Electromagnetic Geoservices (EMGS), which was formed to commercialize Statoil’s seabed logging method. This is the most common of the CSEM methods, characterized by the use of both horizontal source and receivers. The source, consisting of an alternating pulse, is towed at a certain height above the seafloor, where the receivers are placed. The technique has recently undergone an important upgrade, with the development of full 3D inversion capability and the use of a much more powerful source, allowing to detect deeper and smaller

## Horizontal CSEM



## Vertical CSEM (Petromarker)



CSEM (Controlled Source ElectroMagnetic) surveying methods. On the left, conventional CSEM, with a horizontal transmitter dipole and horizontally oriented receivers. This is by far the most widely used CSEM method, originally developed by EMGS. On the right, PetroMarker's vertical CSEM, with vertical transmitter dipole and receivers. In vertical CSEM, the signal from the subsurface is recorded after shutting off the transmitter source, thus resulting in a weaker but cleaner response measured at the receivers.

targets. In 2007, Norwegian company PetroMarker entered the CSEM market with a method it had developed itself, now called the vertical CSEM method. The main innovation compared to the seabed logging method was the use of vertical transmitter and receivers. This setup allows for shorter separations of transmitter-receivers, resulting in a more localized signal and therefore better target resolution.

Concedo has used vertical CSEM as a de-risking tool in the exploration workflow since 2010. Several surveys have been acquired exclusively for Concedo across the NCS. The survey data were collected on both pre-award areas and Concedo-owned licences, proving valuable in the process of deciding whether to apply for a particular acreage or to drill a well. As well as being a pioneer in the use of vertical CSEM, Concedo has provided PetroMarker with feedback and ideas on how to improve/adapt the product to the needs of exploration companies. In 2012 and under a cooperation agreement with PetroMarker, Concedo contributed financially PetroMarker to

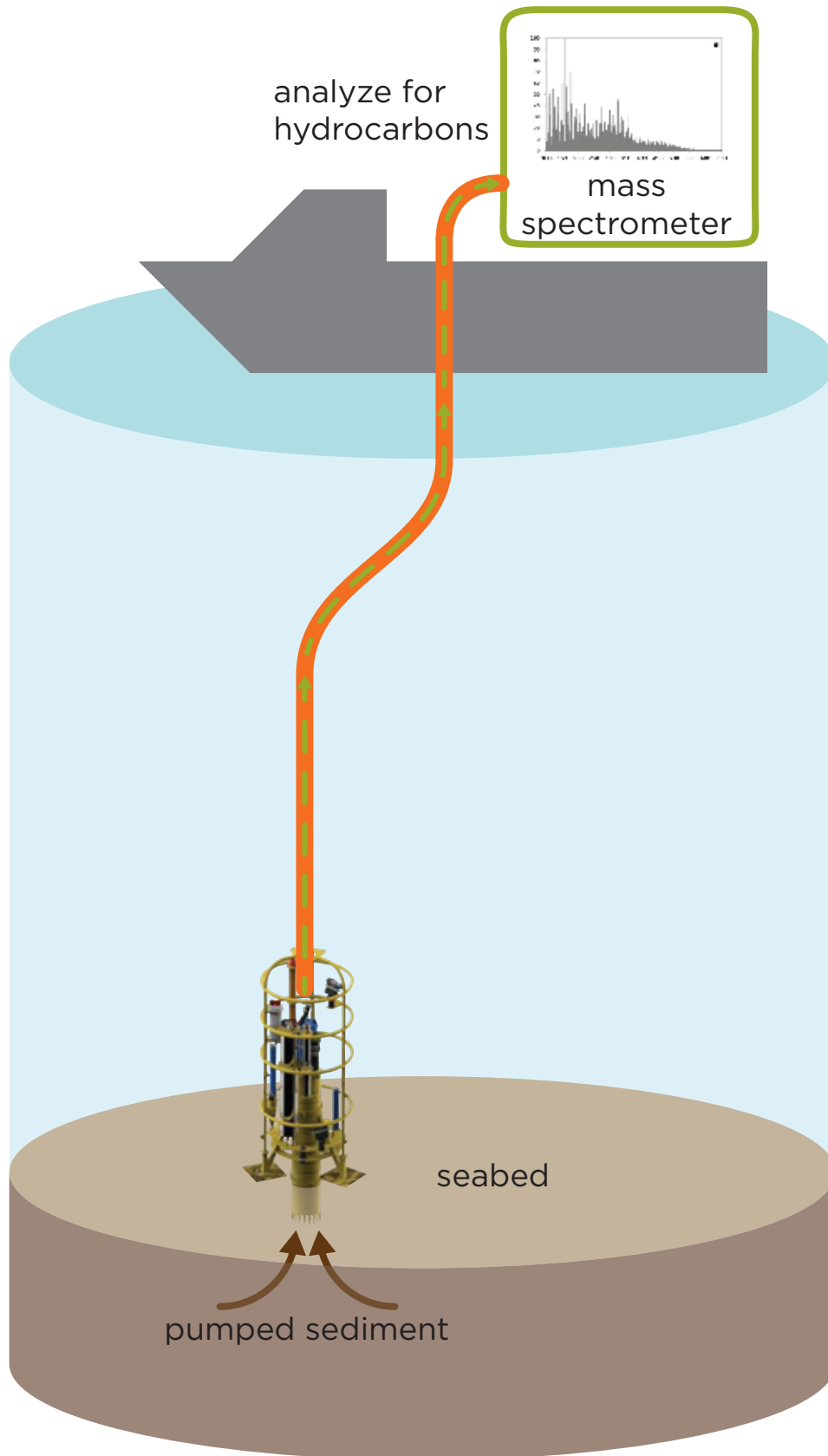
the development of 2D modelling and processing capabilities as PetroMarker was moving towards a more advanced and cost-effective vertical CSEM method. The updated method became commercially available in 2017, after testing a new generation of considerably shorter and lighter receivers that significantly reduced operational costs. A big effort was also put into the processing and modelling capabilities, resulting in much more advanced 2D and 3D inversion products. As a believer in innovation, Concedo is willing to test this new generation of vertical CSEM. Concedo is already using PetroMarker in the first regional survey conducted using this technology. The survey, which was done in the Haltenbanken area, is showing good correlation to known oil/gas fields of significant size. The use of vertical CSEM seems to be a technological breakthrough in this area, being able to differentiate between significant and minor hydrocarbon accumulations.

## Seabed sampling – testing a new approach

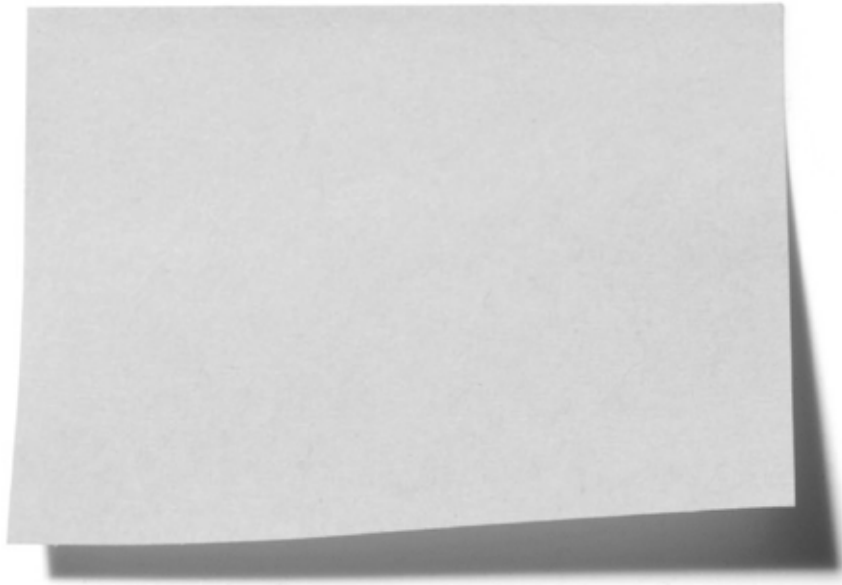
There is a general assumption that most hydrocarbon accumulations leak through the cap rock in sufficient amounts to be detected at the sea bottom. Surface geochemistry is an exploration technique that has been used by the oil and gas industry for over 50 years. Its purpose is to map the distribution of oil and gas micro-seepage related to undrilled oil/gas prospects.

Traditional sampling methods consist of coring the seabed by dropping a weighted steel pipe (gravity coring). The cores are then brought to the surface and transported to a laboratory for analysis. In order to minimize the loss of the samples' gas content during transport and to improve efficiency, a new sampling method has recently been developed by Norwegian company ORG Engineering. Instead of coring the seabed, the sediment is pumped up and carried in a closed tubing system for analysis in the same boat. Samples are also sent to laboratories for special analysis.

Having gained experience in the use of surface geochemistry data for prospect de-risking purposes, Concedo has recently tested this new technique in one of its licences in the Norwegian Sea, in an area considered to be of high risk for hydrocarbon migration. The samples, collected from above undrilled prospects and nearby hydrocarbon fields, are analyzed in order to detect hydrocarbon components that may have seeped to the surface from underlying accumulations. Additionally, the water fraction collected with the sediment is filtered and analyzed for bacteria. Certain bacteria feed on light hydrocarbons while other bacteria feed on heavier hydrocarbons. The amount and type of bacteria may indicate the likelihood and nature of hydrocarbons (gas or oil) in the subsurface. Although this approach is currently in the early phase of development, the results are encouraging, showing higher sensitivity to micro-seepage than the traditional coring method. Concedo sees this technology as a potential game changer in the detection of hydrocarbons and may also use it in other prospective areas in the future.



Coceptual illustration of the new seabed sampling system developed by Offshore Resource Group AS. The traditional coring equipment has been replaced by a pumping system..



The post-it patch's story is an example of how a failed invention can be transformed into success. In 1968 scientist Spencer Silver was to develop a new, super-strong adhesive for 3M. Instead, the result became a very weak glue that, to his surprise, could be removed and fastened on many occasions without losing adhesive ability. Silver could not see any use for the glue and sent samples to other labs in 3M. Several years later, Art Fry, another researcher in 3M, came across this glue. In his spare time, he sang in the church choir and had the problem that the bookmarks always fell out of the songbook. In light of this problem, he got the idea of using the failed adhesive on paper strips. And thus, Post-it was born.

*Post-it is a typical example of innovation in 3M. The philosophy of the company means that the 6,700 researchers who are affiliated with 3M may spend 15% of their working time on their own projects, no matter how hopeless they seem. It is allowed to fail as it is a prerequisite for development.*

# When several wrongs make one right.

Nothing of what is created is meaningless. The quest for the correct answer can lead us closer to the solution to another question. Maybe not today or tomorrow. Perhaps you have the answer to a question that has not yet been asked.



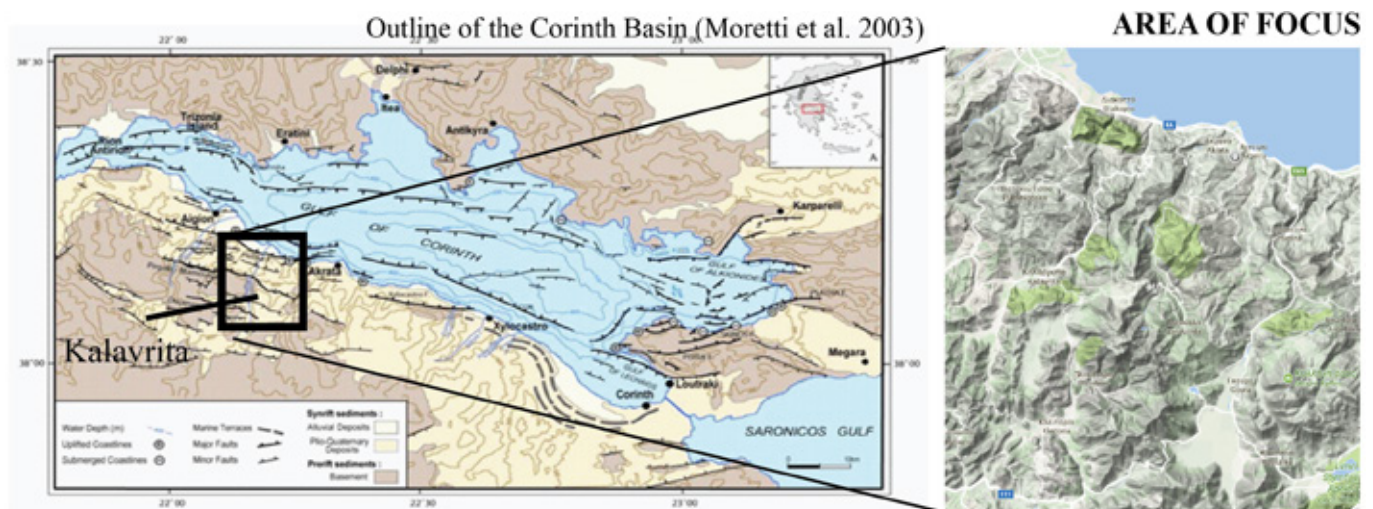
## Field trip 2017: The picturesque mountain village of Kalavrita in the Peloponnese

The mountains of Greece's Peloponnesian peninsula are currently being uplifted about one centimetre per year due to interaction between the African and Eurasian continental plates. This makes the region one of the world's most tectonically active, with a normal record of more than 400 earthquakes a year. Luckily, most tremors are small and do not represent any danger.

At the same time as the uplift, the mountains of Kalavrita are collapsing and being eroded by the many rivers flowing in the valleys between the fault blocks. This exceptional setting with uplift, collapse, erosion and sedimentation is similar to what we can see in many places in the geological records of the Norwegian Continental Shelf. In fact, the present day

topographical relief of the Kalavrita Mountains is identical to the pre-Cretaceous prospective fault blocks of the North Sea, e.g. in Concedo's PL 784 licence.

In the Kalavrita Mountains, one can experience in real life and real scale the pre-Cretaceous terrain mapped in the seismic data. Most of the essential elements of oil and gas exploration are present: fault interaction, intra-block geometries, sedimentary growth sequences, basement to sediment relationships, fault plane sealing capacity, and erosional processes accompanied by adjacent sediment deposition in deltaic geometries. Location map: showing the Kalavrita Location and Area of Focus





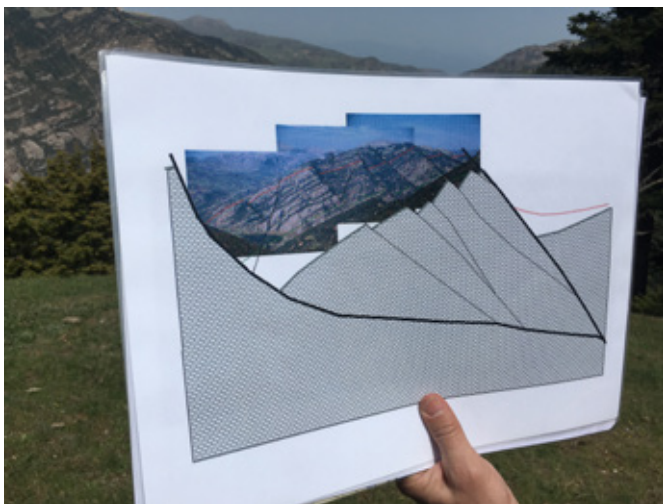
Picture above: The photo is taken from a field trip location, just above the Kerpini Fault, only 2 km to the northeast of Kalavrita. From this location, geological mapping of the Beta block was undertaken, revealing significant 'down-to-the-north' faults that offset the pre-rift sedimentary section.

Picture to the right: the photo shows the fault surface on the northern side of the Beta block. This is a major fault with several hundred metres of displacement, representing a typical major fault boundary in the North Sea. Fault rock and scouring marks are present.



Picture below to the right: the picture shows the sediment deposition of a deltaic system in the northern part of the field trip area, with beautiful cross-bedding truncated by horizontal top sets. The scale observed (20m vertical) would be just visible in high-resolution seismic data.

Picture below to the left: the Beta block placed in a larger-scale tectonic setting typical of North Sea geology.





Christopher Columbus was in 1493 attending a dinner party given by Cardinal Mendoza. Several of the guests meant that he hadn't accomplished a great deal by discovering the New World - the discovery was easily played and one that many others could have done. Columbus then encouraged the other men to get an egg to stand upright. When none of those present managed this, he knocked the egg flat at one end and got it to stand. The point is that even if the idea is simple, someone needs to find it.

An older version of the story is found in a book from 1550 by the Italian architect Giorgio Vasari. According to Vasari, the young architect Filippo Brunelleschi designed an unusually large and heavy dome for Santa Maria del Fiore, the cathedral of Florence. The authorities asked to see his model, but he refused. Instead, he suggested that the one who got an egg to stand upright should build the cupola (the dome). The other architects tried, but failed. Then Brunelleschi broke the egg at one end so it stood. The other architects shouted that they could also do that! Brunelleschi answered, "Yes, but you did not!"

*When the cathedral was finally built, the dome had the shape of one half of an egg, somewhat flatter on the top.*

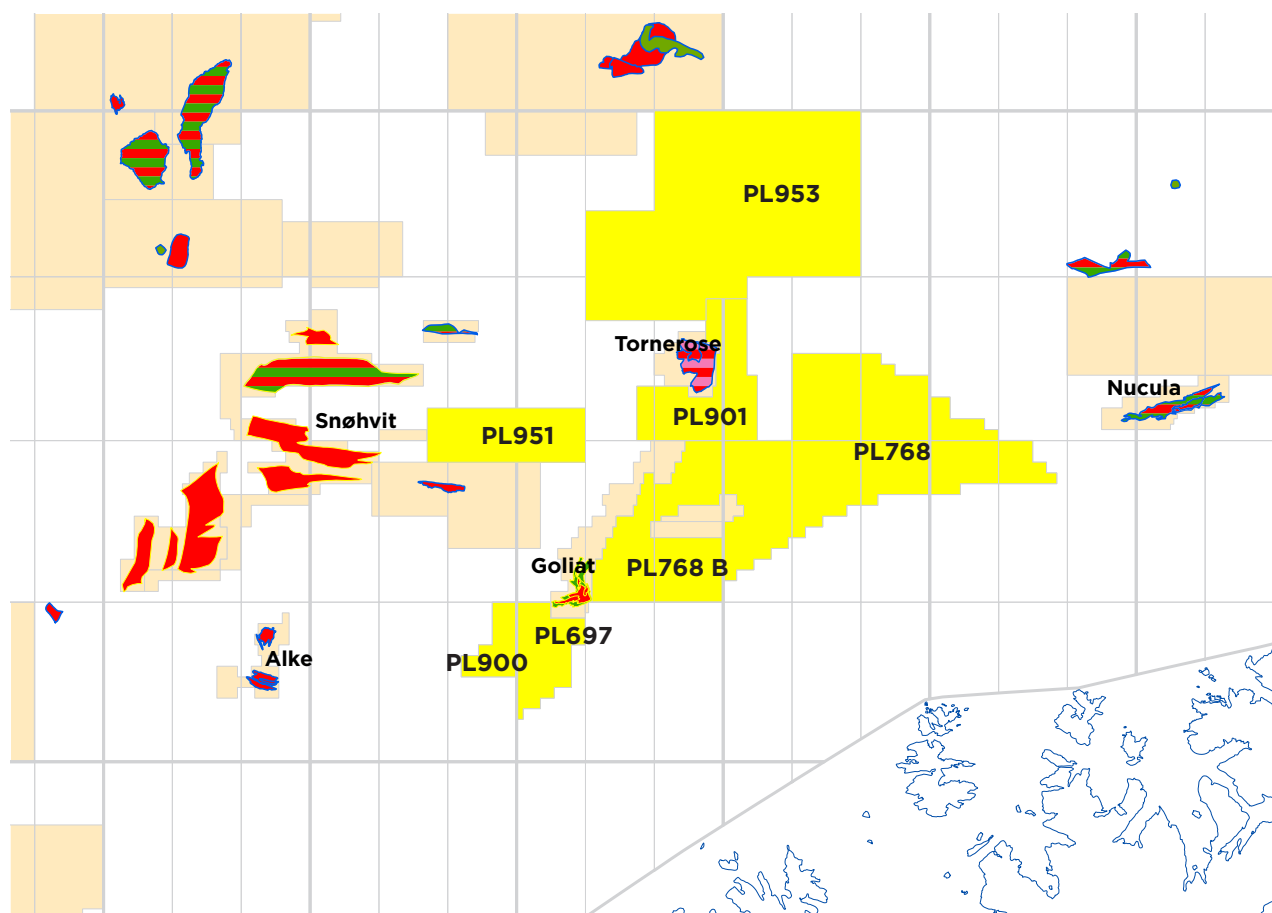
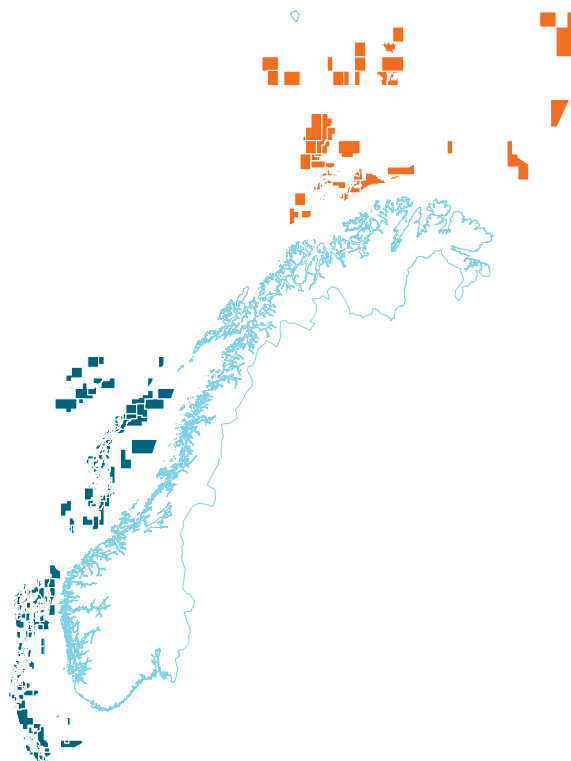
# Obvious to the one who sees.

Everyone has experienced that the solution was much easier than you thought. The art is not to make things difficult, but to make it easy enough.



# Licence portfolio Barents Sea

<b>PL 697</b>	Concedo interest: 10% Operator: ENI Norge AS Acquired 2015
<b>PL 768</b>	Concedo interest: 25% Operator: Wintershall Norge AS Granted: APA 2013
<b>PL 768 B</b>	Concedo interest: 25% Operator: Wintershall Norge AS Granted: APA 2015
<b>PL 900</b>	Concedo interest: 10% Operator: ENI Norge AS Granted: APA 2016
<b>PL 901</b>	Concedo interest: 20% Operator: Statoil Petroleum AS Granted: APA 2016
<b>PL 951</b>	Concedo interest: 20% Operator: Aker BP ASA Granted: APA 2017
<b>PL 953</b>	Concedo interest: 30% Operator: Wintershall Norge AS Granted: APA 2017

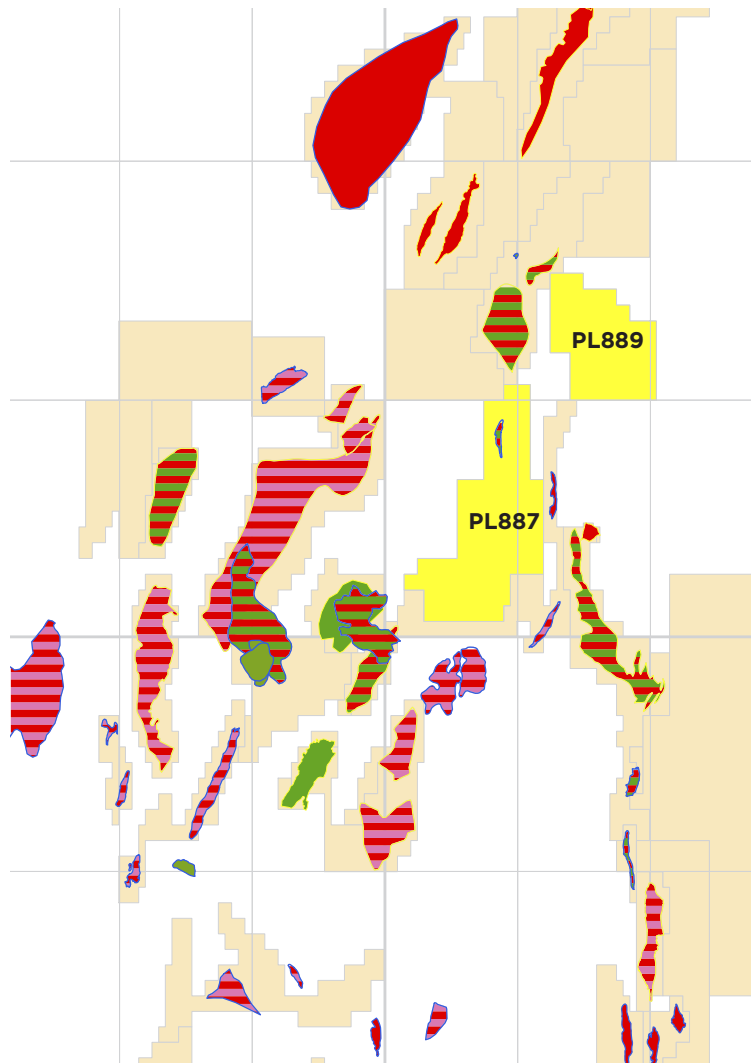
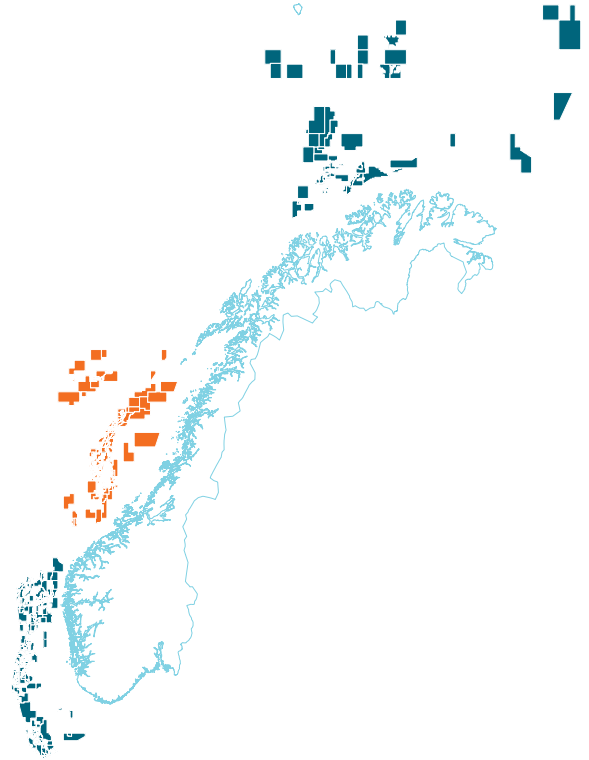


Licence portfolio

# Norwegian Sea

**PL 887** Concedo interest: 20%  
 Operator: PGNiG Upstream Norway AS  
 Granted: APA 2016

**PL 889** Concedo interest: 40%  
 Operator: VNG Norge AS  
 Granted: APA 2016

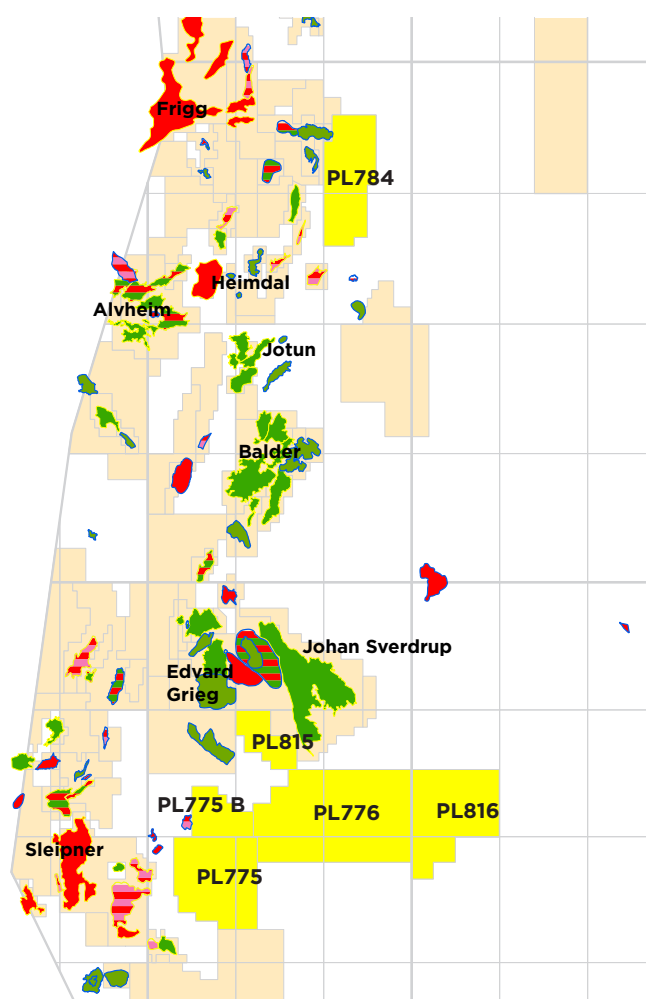
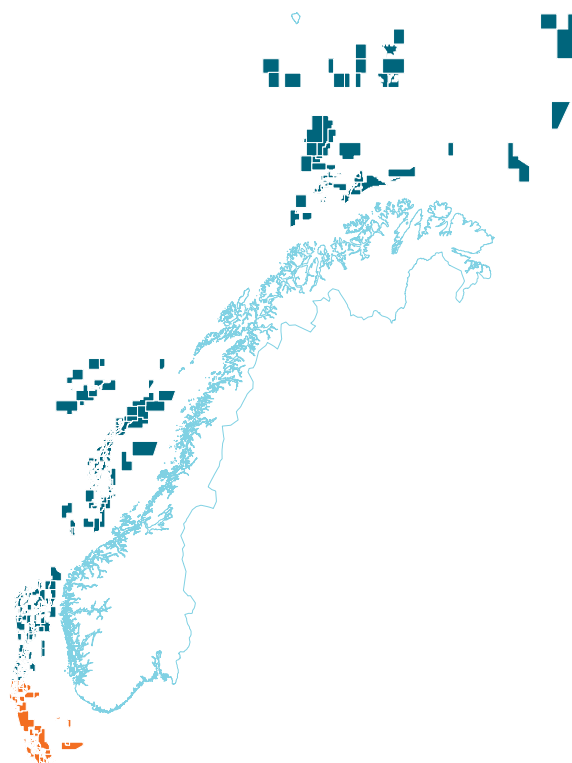




# Licence portfolio

## Southern North Sea

- PL 775** Concedo interest: 20%  
Operator: ConocoPhillips Skandinavia AS  
Granted: APA 2014
  
- PL 775 B** Concedo interest: 20%  
Operator: ConocoPhillips Norway  
Granted: APA 2017
  
- PL 776** Concedo interest: 20%  
Operator: Wintershall Norge AS  
Granted: APA 2014
  
- PL 784** Concedo interest: 20%  
Operator: Aker BP ASA  
Granted: APA 2014
  
- PL 815** Concedo interest: 20%  
Operator: Lundin Norge AS  
Granted: APA 2015
  
- PL 816** Concedo interest: 30%  
Operator: ENI Norge AS  
Granted: APA 2015



## Directors' Report 2017

The recent annual licensing round, APA 2017 (Awards in Pre-defined Areas), revealed a great interest in exploration in Norway. Never before have so many production licences been awarded in an APA round. Thirty-nine companies submitted applications. Thirty-four companies were offered 74 new production licences on the Norwegian Continental Shelf (NCS). The authorities have shown support for exploration in mature areas on the NCS, where there are opportunities to exploit existing infrastructure. Another interesting trend was that new plays were identified based on using a new type of seismic and new technology.

Once again, Concedo was awarded satisfactory licences in APA 2017 - two in the Barents Sea and three in the North Sea. One of the licences commits to two fixed wells which will be drilled in 2018.

Signs of an upturn in the oil and gas industry now seem to be emerging, with the oil price rising to 60-70 USD/barrel. During the downturn, which led to a decline in exploration and upstream development activity, drilling companies were hit by lower revenue, cancelled or renegotiated contracts and reduced rates. Oil and gas upstream and service companies have now started to implement strategies to improve their performance in order to be more resilient to future oil price cycles. In Norway, we are seeing more oil field projects coming on stream at a lower break-even cost and drilling contracts at a lower price level - 150,000- 350,000 USD/day, instead of the 400,000 - 600,000 USD/day before the downturn.

The signs of a larger number of projects, increased exploration and lower drilling rates are very positive for the Concedo value chain; explore, discover and sell. They mean a good licence base, an opportunity for lower exploration costs and an improved market for selling assets. Following the APA 2017 awards in January 2018, Concedo has interests in 22 licences, many near existing infrastructure, some few to be relinquished and several with the possibility of being drilled. The company will maintain its strategy to take advantage of future market

opportunities due to a higher oil price and lower cost base.

In 2017, 34 exploration wells were completed on the NCS, three fewer than in the previous year. Eleven discoveries were made, compared to 18 in 2016. All the discoveries were relatively small, but several could become profitable if tied into existing infrastructure.

Concedo participated in one well in 2017, in the Goliat Eye prospect in the Barents Sea. The well was unfortunately declared dry, but with oil shows. The detailed information from the well will be studied and further work on the licence is necessary before any new well is drilled. The Goliat Eye prospect is near to the Goliat Field and could be a potential tie-in development if commercial.

A downturn in the industry often leads to more innovation and creativity. In APA 2017, the authorities clearly indicated that new plays had been created by new seismic and technology. New ways of thinking contributed to the large Johan Sverdrup discovery. Innovation in exploration means to try, work on understanding, improve old technologies and use the technologies in different ways. Concedo is cooperating with technology suppliers in the use of new technologies and improving the process of de-risking prospects. One of its goals is to be even more efficient at finding new discoveries.

Several of the licences in our portfolio have drill or drop decisions to be made in 2019. Currently, there is only a commitment to drill two wells in licence PL 925. These two wells are in an area with the potential for commercial discovery and can be developed as either tie-ins or stand-alone projects. The licence also includes part of the Grosbeak discovery.

Concedo holds the PL 815 licence between the Edvard Grieg and Johan Sverdrup fields, which has a new type of play. Drilling by Lundin in the licence next to it will assist in de-risking this licence. Concedo see this licence as a very interesting prospect.

On PL 697 Goliat Eye, the up-dip potential is being evaluated and the licence has applied for a one-year extension of the drill or drop decision.

The company's strategy remains robust and Concedo will continue to focus on the NCS and submit applications in the annual licensing rounds. Further, Concedo will participate in one to three exploration wells per year.

The award of five APA 2016 licences to Concedo in January 2017 reinforced the company's focus on its priority areas. The exploration team believes there are good possibilities in these areas and continues to build knowledge of the geology and use of new technology. The proximity to existing fields makes discoveries more likely to be commercial.

### Objectives and strategy

Concedo's ambition is to be one of the best exploration teams on the NCS, capitalizing on the team's excellent knowledge of leads and unmapped resources on the NCS and working in areas aligned with the team's strengths. We create value by selling discoveries prior to development, thus avoiding capital-intensive investments in field development. Concedo's strategy is to preserve its financial strength so it can sell discoveries at the best possible time and be regarded as an attractive partner by other oil companies. In 2012, Concedo returned the capital initially invested in 2006 to its investors in form of dividend and paid-in capital.

### Highlights in 2017

One well was drilled. This took place at below expected costs and without any incidents that could cause damage, injuries or environmental impact.

Concedo was awarded five licences in 2017 and has been awarded a further five licences so far in 2018. Three licences have been relinquished, bringing the company's total to 19 licences at the end of the first quarter 2018.

Concedo is maintaining its support agreement with Geocore AS, giving us additional capacity in the licensing rounds and to evaluate our own licences.

### Drilling

Eni Norge AS, the operator of PL 697, completed the drilling of wildcat well 7122/10-1 S in the summer of 2017. The well was located about 10 kilometres southwest of the Goliat field.

The well's primary exploration target was to prove petroleum in Middle Triassic reservoir rocks (Kobbe formation). Secondary exploration targets were to prove petroleum in Upper Triassic to Lower Jurassic reservoir rocks (Realgrunnen and

Snadd formation) and, depending on the well result, in Lower Triassic reservoir rocks (Klappmyss formation).

In the Kobbe formation, the well encountered about 35 metres of reservoir rocks with moderate to good reservoir quality. As regards the secondary exploration target, the well encountered about 35 metres of sandstone reservoir with good reservoir quality in the Realgrunn sub-group, and about 80 metres of sandstone reservoir with moderate to good reservoir quality in the Snadd formation. There were traces of oil in the Realgrunn sub-group, and a core was taken. The Snadd and Kobbe formations are aquiferous.

The well was classified as dry. Samples have been taken and extensive volumes of data have been acquired.

### Financing

In 2018, the company is exercising a one-year option regarding the NOK 350 million exploration finance facility established with DNB. This will provide the level of working capital needed for the exploration programme going forward to 2019.

### Business office

Concedo has renewed the lease of its existing offices in Asker outside Oslo.

### History

Concedo was established as an exploration company in 2006 and pre-qualified as a licensee on the NCS in 2007. From the beginning, the company had a strong team of eight experienced employees. The team grew, in pace with assignments and the number of licences in the company's portfolio, to 13 employees in 2015. The first discovery (gas) was made in 2008 - the Galtvort prospect - and in 2009 oil was found in what is now known as the Hyme Field, both in licence PL 348. Concedo's interest in this licence was sold to Statoil in 2010. Also in 2010, the Maria discovery, just south of the Smørbygg South field, was proven to be oil-bearing. This was sold to the operator Wintershall in 2011. The Novus discovery was made in early 2014, but was declared non-commercial. In 2014, Concedo divested PL 607 to Total E&P. In 2015, Concedo acquired a 10% working interest share in PL 697 in the Barents Sea. Concedo was awarded five licences in each of APA 2016 and APA 2017, resulting in a portfolio of about 20 licences spread over areas from the North Sea to the Barents Sea.

### Research and development

Concedo is a member of FORCE (Forum for Reservoir Characterization, Reservoir Engineering and Exploration), which was set up by the Norwegian Petroleum Directorate to stimulate industrial cooperation, improve exploration processes and enhance the recovery of resources on the NCS. Concedo

contributes actively and its representatives are members of the technical committee, the sedimentology committee and the structural geology group.

Over the years, the company has tested out many new exploration technologies and chosen the ones most suitable for the different exploration areas.

Concedo has also been an active participant in the Norwegian Oil and Gas Association's network for Exploration Managers and in the Norwegian Oil Company Scout Group.

### Health, safety and the environment

The company ensures that all its activities are carried out without causing harm to humans or the environment. Safeguarding people, the environment and financial assets is an integral part of our management system and daily operations. Our activities caused no spills, injuries or accidents in 2017.

As a licensee on the NCS, Concedo bears responsibility for, and makes conscious choices designed to minimize, risks to itself and its partners. Concedo actively supports the operator with expertise and experience in preventing undesirable incidents while participating in drilling operations. Concedo has been actively involved in risk assessments and audit meetings.

The working environment is considered good and we make continuous efforts to improve it further. In 2017, our employees participated in health and environment activities to prevent injuries. The sick leave in 2017 was 336 days or 1.3% of the total working hours.

### Gender equality

At the end of 2017, Concedo had 13 employees, three women and 10 men. The Board of Directors has five members, two women and three men. Concedo emphasizes gender equality, equal conditions and the equal treatment of all employees.

### Sustainability and responsibility

It is an integral part of our business to ensure respect for human rights, take responsibility as an employer, minimize our impact on the environment, fight corruption and ensure a transparent corporate culture when dealing with all our stakeholders. We consider this a necessary and natural part of the way we carry out our business operations. Corporate Social Responsibility (CSR) is part of the company's management system. The company has reviewed the management system with respect to the new EU regulations on General Data Protection Regulation (GDPR). The reporting system on ethical values in the company is under revision in light of the recent press issues on sexual harassment.

### Corporate governance

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

The Board of Directors held eight meetings in 2017. Key strategic and operational issues that were discussed include:

- A review of the impact of the low oil price and political situation internationally. An evaluation of the capital situation and capital requirements in the coming years.
- Close monitoring of the company's operational and financial performance, including Quality, Health, Safety and the Environment. Lessons-learned discussions after the completion of important activities, such as the drilling of the Goliat well and awards in licensing rounds.
- Strategic balancing of the portfolio of exploration licences and assessment of licence applications in APA 2017.
- Assessment of investment and divestment opportunities.
- Supervision of risk management processes and internal control reporting.
- Management and employee salaries

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

### Financial performance 2017

Financial statements are prepared in accordance with the Public Limited Companies Act, the Accounting Act and generally accepted accounting principles in Norway. To the best of the Directors' knowledge, there are no circumstances of significance for assessing the company's position as at 31 December 2017 or the result for 2017 that are not set forth in the annual report and financial statements.

The Directors believe that the annual accounts give a true presentation of Concedo's financial position as at 31 December 2017 and of the result and cash flows for the fiscal year.

### Revenues and profits

The company made an operating loss of NOK 151 million. The year's loss after tax was NOK 36 million. It is claiming NOK 116 million as a refund of the tax value of exploration costs. The exploration costs consist of the company's operating expenses and the costs of licences, seismic surveys and exploration wells. Costs related to preparations for drilling exploration wells are recognized in the balance sheet. The capitalized cost related to drilling depends on whether or not commercial reserves are discovered. The exploration costs connected to the preparation of the Goliat well in the PL 697 licence have been expensed.

### Balance sheet and liquidity

At year-end 2017, the company's book equity amounted to NOK 131 million, equal to an equity ratio of 51%.

The company's interest-bearing debt originates from the NOK 350 million loan facility, of which NOK 116 million had been utilized as at 31 December 2017. The debt is secured by the tax-related refund of exploration costs. This is expected to be NOK 116 million for 2017.

### Cash flow

The net cash flow from operating activities in 2017 was NOK (47) million. This includes a tax refund of NOK 109 million. The net cash flow from financing activities was NOK 18 million.

### Distribution of profit

No dividend was paid in 2017.

### Operational, financial and market risks

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

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

### Credit risks

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

### Political Risks

A challenge to the Norwegian petroleum tax system has been raised to the European Surveillance Authority (ESA) when it comes to exploration refund. The outcome is uncertain. If the tax refund is considered to be not compliant with EU rules, the next step would be an EFTA case against Norway, which might impact this taxation system.

### Liquidity risks

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

### Currency risks

Some of the exploration costs are in USD. The Board has evaluated the situation related to USD versus NOK and decided not to hedge the currencies. A large part of the company's costs are in NOK.

### Risk of low oil price

Short-term low oil prices have some positive effects for Concedo, as exploration costs tend to be significantly reduced, e.g. lower rig rates. However, the low oil price has reduced the price obtained for new discoveries.

In the longer term, a higher oil price is desirable, as this will increase the value of the oil and gas discovered.

### Going concern

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

### Future prospects

Concedo's strategy is to preserve its financial strength in order to have the flexibility to sell discoveries at the optimum time and to be regarded as an attractive partner by other oil companies and the authorities. Concedo will continue to apply for licences, preferably close to infrastructure and with a drilling depth of less than 4,000m.


The company has the financial strength to pursue its strategy. The oil price seems to be stabilizing at a higher level and optimism is returning to the industry. The drillrig rate has been lowered for the two wells where Concedo is participating in 2018.

The current portfolio establishes a sound foundation. Concedo has carried out a lot of work on its licences. In addition, in the case of a discovery, all the licences are favourable with regard to commercialization as they may be candidates for tie-ins to existing fields.

Concedo is cooperating with suppliers to test out new technologies in order to improve exploration efficiency. Concedo has successfully been awarded licences in recent APA rounds and has a satisfactory number of good prospects for potential future drilling activities. The five licences awarded in APA 2017 are in attractive areas. Two wells will be drilled in 2018 and many other licences are being evaluated for a drilling decision in 2019. The awards in APA 2017 provide greater potential for drilling additional wells.

The Concedo team is very enthusiastic and motivated by the future opportunities.

Asker, 8 March 2018



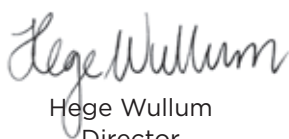
Olav Fjell  
Chairman



Erik Klausen  
Director



Karen Sund  
Director



Hege Wullum  
Director



Nirav Dagli  
Director



Geir Lunde  
CEO

# Annual statements 2017

Concedo ASA

## Profit and loss account 2017

Figures are given in the Norwegian currency NOK

	Note	2017	2016
Depreciation on fixed and intangible assets	3	-129 450	-258 490
Exploration expenses	2, 9, 13, 14	-150 896 675	-139 174 807
<b>Total operating expenses</b>		<b>-151 026 124</b>	<b>-139 433 296</b>
<b>Operating profit/loss</b>		<b>-151 026 124</b>	<b>-139 433 296</b>
Other interest received		1 158 031	1 896 482
Other financial income		1 771 117	1 520 970
<b>Total financial income</b>		<b>2 929 148</b>	<b>3 417 451</b>
Other interest paid		-4 414 874	-7 668 918
Other financial expenses		-1 858 829	-6 355 032
<b>Total financial expenses</b>		<b>-6 273 703</b>	<b>-14 023 950</b>
<b>Net financial items</b>		<b>-3 344 556</b>	<b>-10 606 499</b>
<b>Pre-tax profit/loss on ordinary activities</b>		<b>-154 370 680</b>	<b>-150 039 795</b>
Tax cost on profit on ordinary activities	6	118 121 511	110 939 692
<b>Ordinary profit/loss</b>		<b>-36 249 169</b>	<b>-39 100 103</b>
<b>Income/loss for the year</b>		<b>-36 249 169</b>	<b>-39 100 103</b>
<b>Allocation</b>			
Other reserves	5	-36 249 169	-39 100 103
<b>Total</b>		<b>-36 249 169</b>	<b>-39 100 103</b>

Concedo ASA

# Balance Sheet as of 31 December 2017

Figures are given in the Norwegian currency NOK

<b>ASSETS</b>	<b>Note</b>	<b>2017</b>	<b>2016</b>
<b>Fixed assets</b>			
<b>Intangible assets</b>			
Deferred tax assets	6	21 399 818	19 627 482
Capitalised exploration expenses and licences	3	2 808 700	3 867 010
<b>Total intangible assets</b>		<b>24 208 518</b>	<b>23 494 492</b>
<b>Tangible fixed assets</b>			
Furniture, fixtures & machinery	3	235 144	261 223
<b>Total tangible fixed assets</b>		<b>235 144</b>	<b>261 223</b>
<b>Total fixed assets</b>		<b>24 443 663</b>	<b>23 755 715</b>
<b>Current assets</b>			
<b>Receivables</b>			
Other receivables	8	123 232 950	111 912 994
<b>Total receivables</b>		<b>123 232 950</b>	<b>111 912 994</b>
Bank deposits, cash-in-hand etc.	7	106 362 570	135 032 295
<b>Total bank deposits, cash-in-hand etc.</b>		<b>106 362 570</b>	<b>135 032 295</b>
<b>Total current assets</b>		<b>229 595 520</b>	<b>246 945 289</b>
<b>Total assets</b>		<b>254 039 183</b>	<b>270 701 004</b>

Concedo ASA

# Balance Sheet as of 31 December 2017

Figures are given in the Norwegian currency NOK

SHAREHOLDERS' EQUITY AND LIABILITIES	Note	2017	2016
<b>EQUITY</b>			
<b>Paid-in capital</b>			
Share capital	4,5	2 430 066	2 430 066
Treasury shares	5	-158 379	-158 379
Share premium	5	4 567 126	4 567 126
Other paid-in capital	5	1 925 449	1 150 667
<b>Total paid-in capital</b>		<b>8 764 262</b>	<b>7 989 480</b>
<b>Retained earnings</b>			
Other reserves	6	122 047 872	158 297 042
<b>Total retained earnings</b>		<b>122 047 872</b>	<b>158 297 042</b>
<b>Total Equity</b>		<b>130 812 134</b>	<b>166 286 521</b>
<b>Current liabilities</b>			
Owed to credit institutions	10,12	116 413 342	97 971 884
Trade creditors		2 525 817	2 180 459
Unpaid government charges etc.		1 876 000	1 798 410
Other current liabilities	11	2 411 890	2 463 729
<b>Total current liabilities</b>		<b>123 227 049</b>	<b>104 414 483</b>
<b>Total liabilities</b>		<b>123 227 049</b>	<b>104 414 483</b>
<b>Total Equity and Liabilities</b>		<b>254 039 183</b>	<b>270 701 004</b>

Asker, 8 March 2018



Olav Fjell  
Chairman of the Board



Erik Klausen  
Director



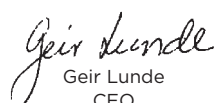
Karen Sund  
Director



Hege Wullum  
Director



Nirav Dagli  
Director



Geir Lunde  
CEO

Concedo ASA

# Cash Flow Statement

OPERATING ACTIVITIES	Note	2017	2016
Pre-tax result		-154 370 680	-150 039 795
<b>Adjustments for reconciling current year's result with cash flow from operating activities:</b>			
Depreciation, amortisation and write-downs	3	129 450	258 490
Capitalised exploration costs expensed		1 126 659	27 063
Other items having no cash effect – subscription rights		774 782	619 427
Tax reimbursement received in period	6	108 753 330	123 121 522
<b>Change in working capital (except for cash and cash equivalents):</b>			
(Increase) reduction in trade debtors and other receivables		-3 724 111	12 589 452
Increase (reduction) in trade creditors and other current debts		371 108	-1 788 142
<b>Cash flow from operating activities</b>		<b>-46 939 463</b>	<b>-15 211 983</b>
<b>INVESTMENT ACTIVITIES</b>			
Investments in fixed assets	3	-103 371	-358 723
Capitalised exploration expenses	3	-68 349	-1 084 357
<b>Cash flow spent on investment activities</b>		<b>-171 720</b>	<b>-1 443 080</b>
<b>FINANCING ACTIVITIES</b>			
New interest-bearing short-term debt	10	121 300 100	88 299 993
Repayments short-term debt	10	-102 858 642	-110 080 968
<b>Cash flow spent on financing activities</b>		<b>18 441 458</b>	<b>-21 780 975</b>
Net increase (reduction) in cash and cash equivalents		-28 669 725	-38 436 037
Cash and cash equivalents at beginning of year		135 032 295	173 468 333
<b>Cash and cash equivalents at end of year</b>		<b>106 362 570</b>	<b>135 032 295</b>

## Note 1

# Accounting Principles

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

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

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

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

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

## Interests in oil and gas licenses

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

## Accounting for exploration costs

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

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

## Receivables

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

## Bank deposits, cash in hand, etc.

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

## Revenue

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

## Expenses

Expenses are generally entered in the same period as the corresponding income.

## Leasing agreements

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

## Pensions

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

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

## Share-based remuneration

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

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

## Taxes

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

Deferred tax and deferred tax benefits in the same tax regime are presented net in the balance sheet. Deferred tax benefit is recognised in the balance sheet provided that the future use is rendered probable.

## Cash flow analysis

The cash flow analysis is prepared using the indirect method.

Note 2

## Payroll costs, number of employees, benefits etc.

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

<b>Payroll costs</b>	<b>2017</b>	<b>2016</b>
Salaries	17 947 983	17 304 094
Employer's payroll tax	2 798 997	2 693 669
Pension costs	1 526 807	1 389 258
Share-based remuneration	774 782	619 427
Other benefits	116 320	234 350
<b>Total</b>	<b>23 164 890</b>	<b>22 240 797</b>
Number of man-years employed during the financial year	13	13

\*) Employer's payroll tax comprises of tax on payroll and exchange of subscription rights as part of the incentive scheme.

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

<b>Remuneration paid to directors and management</b>	<b>Salary</b>	<b>Pension costs</b>	<b>Other remuneration</b>
Geir Lunde (CEO)	1 549 221	104 532	34 236
Olav Fjell (Chairman)			150 000
Erik Klausen (Director and HSE manager)	1 482 751	91 914	37 010
Hege Wullum (Director)			100 000
Karen Sund (Director)			100 000
Nirav Dagli (Director)			100 000

The CEO has a severance pay contract under which he, if he leaves at the company's request, is entitled to salary for 6 months after his period of notice expires. For subscription rights awarded to the CEO and directors in connection with

the incentive scheme, see Note 5. Consultancy services of NOK 249 996 excl. VAT were purchased from Fjellvit AS, a company owned by the Chairman of the Board.

### Share-based remuneration

With the approval of the AGM, the Directors of Concedo in total had issued 349.662 subscription rights to the employees which was outstanding as of 1 January 2017. During 2017 no subscription rights were declared or exchanged into shares and 29.407 subscription rights expired. On 19 December 2017, the Directors decided to issue another 116 278 subscription rights in accordance with the guidelines for remuneration of senior management. As of 31.12.2017 a total of 436.533 subscription rights were outstanding.

In 2017 NOK 774 782 was expensed in the profit and loss statement related to vested subscription rights in this period.

At December 31 2017, the estimated amount of share-based remuneration cost yet to be expensed throughout the vesting period is NOK 1.428.612.

The fair value of the subscription rights awarded and outstanding as of 31.12.2017, calculated according to Black & Scholes option pricing model, was NOK 3.303.557.

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 volatility rated used has been between 50-60%.

Number of subscription rights	2017	2016
Outstanding as of 1 January	349 662	298 086
Awarded during year	116 278	110 743
Forfeited during year	0	0
Exercised during year	0	0
Expired during year	-29 407	-59 167
<b>Outstanding as of 31 December</b>	<b>436 533</b>	<b>349 662</b>

Average gross exercise price is NOK 17,5 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 2017:

The Board established guidelines for 2017 for Managing Director, other senior executives and the Board members. The guidelines were processed at the company's annual general meeting in 2017.

#### Managing Director and other Senior Executives

For the year 2017 subscription rights were allocated for the value equivalent to 21 % of the achievable target in accordance with the guidelines. Each subscription right carries the right to purchase one share in the company at a price corresponding to an estimated market price of NOK 13 per share evaluated by an independent expert. In accordance with the guidelines, company employees thus have an opportunity to subscribe shares as follows:

<b>Name</b>	<b>Price/share (NOK)</b>	<b>Subscription Rights</b>
Geir Lunde	13	9 819
Erik Klausen	13	9 398
Morten Hedemark	13	9 398
Ole H Fjelltun	13	9 398
Odd E Baglo	13	9 398
Elisabet Malmquist	13	8 458
Enric Leon	13	5 493
Dirk van der Wel	13	8 333
Anders Finstad	13	7 998
Juergen Sclaf	13	8 240
Ane M Skaug Rasmussen	13	6 867
Hilde Alnæs	13	6 867
Tommi Rafael Rautakorpi	13	9 398
<b>Total</b>	<b>13</b>	<b>109 065</b>

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

#### **Directors of the Board**

For the year 2017 subscription rights for the equivalent of 21 % of the achievable target were allocated in accordance with the

guidelines. Every subscription right gives the right to issue one share in the company at a price corresponding to an estimated market price of NOK 13 per share. The members of the Board of the company thus have an opportunity to subscribe shares according to the guidelines:

<b>Name</b>	<b>Price/share (NOK)</b>	<b>Subscription rights</b>
Olav Fjell	13	2 404
Erik Klausen	13	0
Karen Sund	13	1 603
Hege Wullim	13	1 603
Nirav Dagli	13	1 603
<b>Total</b>	<b>13</b>	<b>7 213</b>

In total, 116 278 subscription rights were allocated in 2017 that can be exercised after 3 years and before 5 years, pursuant to Board Resolution of 19 December 2017 on the basis of the approved guidelines for 2017 and detailed conditions to be approved in the General Meeting 2018.

**Guidelines for 2018:**

At the annual general meeting in 2018, the Directors will present the following statement regarding pay for the CEO, other senior staff and the Directors in 2018:

(i) Basic pay:

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

(ii) Incentive programme:

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

Pursuant to the Directors' guidelines, the number of subscription rights shall be calculated by dividing a percentage - maximum 40% - of the annual pay earned by the employee during the year, by the market price of the shares. The maximum number of subscription rights for each employee will therefore be equivalent in value to up to 40% of the employee's earnings during the year, divided by the market price of the shares. The market price of the shares will be determined by an arm's length public accountant or other arm's length person having expert knowledge of the matter. Subscription rights can at the earliest be exercised at IPO or if the company is sold. Otherwise, the subscription rights may be exercised at any time whatsoever in the period between 3 and 5 years after the allocation date. It is a condition for exercise of subscription rights, however, that the person concerned is still an employee of the company or a pensioner.

For Directors who are not employed by the company, the number of subscription rights shall, pursuant to the Board guidelines, be calculated by dividing a part - maximum 100% - of the annual fee by the market price of the shares. The maximum number of subscription rights for each Director will therefore be equivalent in value to up to 100% of that Director's fee during the year, divided by the market price

of the shares. The market price of the shares will be determined by an arm's length public accountant or other arm's length person having expert knowledge of the matter. Subscription rights can at the earliest be exercised at IPO or in the event of sale of the company. Subscription rights can otherwise be exercised at any time between 3 and 5 years from the allocation. Exercise of subscription rights is not dependent on whether he or she is the member of the Board of the company or not.

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

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

(iii) Bonus scheme:

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

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

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

**Auditor**

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

	2017	2016
Statutory audit	250 500	178 000
Audit-related services	0	14 000
Certification services	13 500	20 400

Note 3

## Tangible/ Intangible assets

	Furniture & Fixtures	Plant & Machinery	Purchases of licence interests, exploration wells	Total
Cost at 1 January	3 536 572	77 725	3 867 010	7 481 307
Additions	103 371	-	68 349	171 720
Expensed dry wells, previously capitalised			-1 126 659	-1 126 659
Disposals			-	-
<b>Cost 31 December</b>	<b>3 639 943</b>	<b>77 725</b>	<b>2 808 700</b>	<b>6 526 368</b>
Acc. depreciation at 1 January	3 275 349	77 725		3 353 074
Current year's depreciation	129 450	-		129 450
Acc. Depreciation 31 December	<b>3 404 798</b>	<b>77 725</b>		<b>3 482 523</b>
<b>Book value as of 31 December</b>	<b>235 144</b>	<b>-</b>	<b>2 808 700</b>	<b>3 043 845</b>

Note 4

## Share capital and shareholders

As of 31.12.17, the company's share capital consisted of one class of shares, all of which bear the same voting rights. Acquisition of shares by purchase or as a gift or by any other means requires board approval.

	Number of shares	Nominal value	Book value
Shares	11 718 893	0.2073631	2 430 066
<b>Total</b>	<b>11 718 893</b>		<b>2 430 066</b>

### 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.

<b>Name</b>	<b>Number of rights</b>	<b>Subscription Price (NOK)</b>	<b>Total Price (NOK)</b>	<b>Allocation date</b>
Employees and Directors	19 778	42	830 676	17th December 2013
Employees and Directors	78 991	22	1 737 802	11th December 2014
Employees and Directors	110 743	16	1 771 888	13th December 2015
Employees and Directors	110 743	16	1 771 888	15th December 2016
Employees and Directors	116 278	13	1 511 614	19th December 2017
<b>Total</b>	<b>436 533</b>		<b>7 623 868</b>	

The above figures include 37 429 subscription rights allocated to Geir Lunde, 35 823 to Erik Klausen, 9 239 to Olav Fjell, 6 163 to Karen Sund, 6163 to Hege Wullum and 6 163 to Nirav Dagli in connection with the incentive scheme.

### Ownership structure

The ten largest shareholders as of 31.12.2017

<b>Name</b>	<b>Quantity of shares</b>	<b>Percentage interest</b>	<b>Home country</b>
H. M. STRUCTURES LIM	3 220 682	29,4 %	CYP
EUROCLEAR BANK S.A./	2 580 000	23,6 %	BEL
MEGABAS AS	2 176 449	19,9 %	NOR
UBS SWITZERLAND AG	527 500	4,8 %	CHE
HEATHLANDS HOLDINGS	503 967	4,6 %	CYP
KNUTSEN JOHN ERIC TA	250 000	2,3 %	GBR
SIX SIS AG	220 000	2,0 %	CHE
FJELLVIT AS	154 529	1,4 %	NOR
GILBO INVEST AS	120 924	1,1 %	NOR
FRUCHTMANN URI	93 920	0,9 %	GBR
Other Shareholders	1 107 145	10,1 %	Miscellaneous
<b>Total</b>	<b>10 955 116</b>	<b>100 %</b>	

Concedo holds in addition to the above 763 777 (treasury shares) own shares in the company.

### Shares owned by Directors and CEO

<b>Name</b>	<b>Position</b>	<b>Number of shares</b>
Olav Fjell through 100% in Fjellvit AS	Board Chairman	154 529
Geir Lunde through 22,4% in Megabas AS	CEO	487 525
Erik Klausen through 16,4% in Megabas AS	Director	356 938
Geir Lunde	CEO	22 000
Nirav Dagli	Director	12 000
Erik Klausen through Catellas AS	Director	24 796
Karen Sund through Sund Energy AS	Director	2 307

Note 5

## Equity

	Share capital	Treasury shares	Share premium	Other paid in capital	Other	Total
<b>Equity at 1 January</b>	<b>2 430 066</b>	<b>-158 379</b>	<b>4 567 126</b>	<b>1 150 667</b>	<b>158 297 042</b>	<b>166 286 521</b>
Subscription rights				774 782		774 782
Current year's profit/(loss)					-36 249 169	-36 249 169
<b>Equity at 31 December</b>	<b>2 430 066</b>	<b>-158 379</b>	<b>4 567 126</b>	<b>1 925 449</b>	<b>122 047 872</b>	<b>130 812 134</b>

The value of subscription rights expensed in 2017 of NOK 774 782 has been calculated according to the Black-Scholes formula.

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

Note 6

## Income tax

<b>Income tax for the current year is calculated as follows:</b>	<b>2017</b>	<b>2016</b>
Adjustment for tax refund earlier years	-17 142	19 838
Change in deferred tax	-1 772 336	-2 223 342
Tax value of exploration costs (See Note 8)	-116 332 033	-108 736 188
<b>Tax on ordinary income</b>	<b>-118 121 511</b>	<b>-110 939 692</b>
<b>Reconciling nominal and actual tax rates:</b>	<b>2017</b>	<b>2016</b>
Pre-tax profit/loss	-154 370 680	-150 039 795
Anticipated income tax at nominal rate (24%)	-37 048 963	-37 509 949
Tax effect of following items:		
Adjustment for tax earlier years	-17 142	19 838
Non-deductible expenses	216 922	197 088
Tax effect of interest on loss for carrying forward (24%/54%)	-34 304	-171 561
Change in tax rate	20 408	-12 609
Effect of surtax (54%)	-81 258 432	-73 462 499
<b>Income tax</b>	<b>-118 121 511</b>	<b>-110 939 692</b>
Effective tax rate	77 %	74 %

**Specification of tax effect of temporary differences and loss carried forward:**

	2017		2016	
	Deferred tax asset	Deferred tax liability	Deferred tax asset	Deferred tax liability
Exploration expenses and licence costs		1 837 869		2 550 419
Provisions for liabilities				
Loss to be carried forward	23 237 687		22 177 901	
<b>Total</b>	23 237 687	1 837 869	22 177 901	2 550 419
Of which netted	-1 837 869	-1 837 869	-2 550 419	-2 550 419
<b>Net deferred tax asset/liability</b>	<b>21 399 818</b>	<b>0</b>	<b>19 627 482</b>	<b>0</b>

Profit from oil and gas operations on the Norwegian shelf is taxed in accordance with the Norwegian Petroleum Tax Act. A special 54% (2016: 53%) surtax is levied in addition to the ordinary 24% (2016 25%) corporate tax. The taxpayer may claim payment from the government for the tax value of direct and indirect expenses (with the exception of financing expenses) for petroleum exploration, provided that the sum does not exceed the year's loss on, respectively, ordinary income in the shelf tax district and the basis for surtax.

Shelf loss may be utilized against a possible future shelf gain. Alternatively, the tax value of loss carry forwards connected to operations on the Norwegian Shelf will be received in the event of a possible termination of the business.

Deferred tax effect has been capitalised to the extent future realisation is deemed probable. With effect from 1 January 2018 the Corporate tax rate is 23% (2017: 24%) and the special tax rate is 55% (2017: 54%). The tax rate effective from 1 January 2018 has been used in calculation of deferred tax at 31 December 2017.

## Note 7

## Bank deposits

Bank deposits, cash in hand etc. includes non-distributable withheld tax in the sum of NOK 1 110 259 (2016: NOK 1 065 323) and a rental deposit of NOK 957 567 (2016: NOK 952 329)

## Note 8

## Other receivables

For the 2017 tax assessment the company claims reimbursement of the tax value of petroleum exploration costs totalling NOK 116 332 033 (2016: NOK 108 736 188), see Petroleum Tax Act, 5th paragraph of section 3c.

Outstanding accounts with operators and others are also in the financial line item "Other receivables".

## Note 9

## Leasing agreements

Annual rental for non-capitalised assets amounts to NOK 1 549 030 (2016: 1 396 214), which relates to rent for the office premises in Asker.

The tenancy was renewed towards 30.10.2021; the remaining period of tenancy being 4 years.

Note 10

## Debt to financial institutions

The company has a credit line for NOK 350 000 000 in DNB ASA. The interest rate is NIBOR plus a margin of 1,55%.

Withdrawals are limited to 95% of the tax value of petroleum exploration expenses. Repayments coincide with the reimbursement of exploration expenses from the tax authorities. Concedo signed in the beginning of 2016 a new loan agreement for two years and with an one year option.

As of 31 December 2017 withdrawals totalled NOK 116 413 342.

According to the loan agreement, 95% of the estimated tax reimbursement amounts to NOK 110 515 431. The difference (NOK 5 897 911) has been settled on the 22nd February 2018. We have calculated the tax reimbursement as being NOK 116 332 033 see notes 6 and 8.

The loan is secured by the tax reimbursement scheme and balances thereon, and monetary claims in respect of all present and future Insurances.

Note 11

## Other current liabilities

	2017	2016
Working capital liabilities in joint ventures	0	281 295
Wages, holiday pay and bonus	1 959 957	1 876 342
Accrued expenses	451 931	209 252
Other current liabilities	2	96 840
<b>Total</b>	<b>2 411 890</b>	<b>2 463 729</b>

Note 12

## Financial market risk

The company employs financial instruments such as bank loans and deposits. The purpose of these instruments is to procure capital for the investments required for the company's activities. Other financial instruments are trade debtors etc. that are directly linked with everyday operations. The company does not trade in derivatives.

The most significant financial risks the company is exposed to are related to oil prices, interest rates, capital needs and loan terms. The risk of trade debtors and partners being unable to fulfil their obligations towards Concedo is considered to be low. The company is to a limited degree exposed to currency risk. The company has not entered into any contracts to offset the risks.

Note 13

## Exploration costs

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

	2017	2016
<b>Payroll costs, ref note 3</b>	23 164 890	22 240 797
Seismic, drilling and general licence expenses	112 656 153	102 866 878
Other operating costs linked to exploration	15 075 632	14 067 131
<b>Total</b>	<b>150 896 675</b>	<b>139 174 807</b>

Exploration expenses eligible for tax refunds amount to NOK 149 143 632 in 2017 (2016: NOK 139 405 369 ).

## Note 14

## Sponsorships

In line with the company's Anti-bribery and corruption procedures the information on sponsorships shall be given in the notes of the Annual report. In 2017 the company sponsored the following:

Asker Svømmeklubb	NOK	10 000
Asker Fotball	NOK	10 000
Asker Skøyteklubb	NOK	12 000
Drammen Klatreklubb	NOK	5 000
Støtteforreningen for kreftrammede, Asker	NOK	10 000
Petroleumskvelden	NOK	5 000
Redningsselskapet	NOK	5 000
Bellona CCS program	NOK	23 500

## Note 15

## Licences

### North Sea

**PL 775 (20%):** in blocks 16/7 and 16/8. Operator is ConocoPhillips. Two years extension of initial period, New Drill or Drop (DoD) deadline is by February 2019.

**PL 775B (20%):** in blocks 16/4,5. Operator is ConocoPhillips. Extension to PL 775 awarded in APA 2017. Work program as for PL 775. DOD decision is by February 2020.

**PL 776 (20%):** in blocks 16/5, 6, 8 and 16/9. Wintershall has taken over operatorship from Tullow. Well drilled on the Rome prospect in 2016. The well was dry. Applied for extension of BOK decision to February 2019.

**PL 815 (20%):** in block 16/5. Lundin is operator. The 3D seismic processing included in the work program has already been fulfilled. DOD decision is by February 2019.

**PL 816 (30%):** in blocks 17/4 and 17/7. Eni is operator. Acquisition and processing of 3D seismic is ongoing. Will be relinquished 2018.

**PL 824 (30%):** in blocks 31/4 and 31/5. Point is operator. New 3D seismic acquired. G&G ongoing. Will be relinquished 2018.

**PL 826 (30%):** in blocks 29/3, 30/1 and 33/12. Point is operator. Reprocessing of 3D seismic is finalised. Geological and geophysical evaluation is ongoing. DOD decision is by February 2019.

**PL 727 (30%):** in blocks 3/5, 3/6, 3/8 and 3/9. The licence was relinquished 2018.

**PL 746S (30%):** in block 29/3. Point is Operator. Geological and geophysical analysis is ongoing. DoD decision is by February 2019.

**PL 784 (20%):** in blocks 25/3, 6. Operator is Aker BP. G&G work ongoing. DOD decision is by February 2019.

**PL 882 (30%):** in blocks 33/6 and 34/4. VNG is operator. Awarded in APA 2016. New 3D seismic has been acquired. DOD decision is by February 2019.

**PL 925 (10%):** in blocks 35/9,12. Wellesley is operator.

Awarded in APA 2017. Two firm wells to be drilled in 2018.

**PL 926 (30%):** in blocks 33/9,12 and 34/10. Faroe Petroleum is operator. Awarded in APA 2017. Acquire and or reprocess 3D seismic. DOD is by February 2020.

### Norwegian Sea

**PL 887 (20%):** in blocks 6507/7,8,10 and 11. PGNIG is operator. Awarded in APA 2016. 3D seismic has been acquired. DOD decision is by February 2019.

**PL 889 (40%):** in blocks 6507/8 and 6507/9. VNG is operator. 3D seismic has been acquired and reprocessed. DOD decision is February 2019.

### Barents Sea

**PL 768 (25%):** in blocks 7123/5,6,7,8,9 and 7124/4, 7, 8. Wintershall is operator. Seismic interpretation based on 2D seismic is finalised. 3D seismic has been acquired 2017 together with PL768B. DoD decision is by February 2019.

**PL 768B (25%):** in blocks 7122/8, 9. Wintershall is operator. Same activity as PL 768. DoD decision is 2019.

**PL 697 (10%):** in block 7122/10. Site survey completed autumn 2016. The Goliat Eye Prospect was drilled in 2017. The well was dry. Applied for one year extension of BOK decision to February 2019.

**PL900 (10%):** in the blocks 7122/8 and 9. Eni is operator. Awarded in APA 2016. 3D seismic has been acquired and DOD decision in February 2019.

**PL 901 (20%):** in blocks 7122/5 and 7122/6. Statoil is operator. Awarded in APA 2016. 3D seismic has been acquired and reprocessing will be finalised in 2018. DOD decision is February 2019.

**PL 951 (20%):** in blocks 7121/5,6,8,9 and 7122/4,7. Aker BP is operator. Awarded in APA 2017. Acquire and/or reprocess 3D seismic. DOD decision is by February 2020.

**PL 953 (30%):** in blocks 7122/2,3,5,6 and 7123/1,2,4. Wintershall is operator. Awarded in APA 2017. Acquire new 2D seismic and then decision on 3D seismic before DOD by 2022.

## Note 16

## Relinquished Licences 2017

### North Sea

**PL 774 (30%):** in block 16/7. Tullow is operator. The licence was relinquished in 2017.

**PL 774B (30%):** in block 16/10. Tullow is operator. The licence was relinquished in 2017.

### Barents Sea

**PL 804 (30%):** in blocks 7121/10, 11 and 12. Wintershall is operator. The licence was relinquished in 2017.

# Annual accounts



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To the General Meeting of Concedo ASA

## INDEPENDENT AUDITOR'S REPORT

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the financial statements of Concedo ASA showing a loss of NOK 36 249 169. The financial statements comprise the balance sheet as at 31 December 2017, the income statement and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements are prepared in accordance with law and regulations and give a true and fair view of the financial position of the Company as at 31 December 2017, and 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.

#### *Basis for Opinion*

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Other information*

Management is responsible for the other information. The other information comprises the Board of Directors' report, statement on Corporate Social Responsibility and information in the Annual Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### *Responsibilities of the Board of Directors and the Managing Director for the Financial Statements*

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



In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations.

#### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

#### **Report on Other Legal and Regulatory Requirements**

##### *Opinion on the Board of Directors' report*

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 and in the statement on Corporate Social Responsibility concerning the financial statements and the going concern assumption is consistent with the financial statements and complies with the law and regulations.

*Opinion on Registration and Documentation*

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 8 March 2018  
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 being President and CEO of Statoil. Mr Fjell has retired from executive positions and is currently serving on the non-executive boards of several companies.



### **KAREN SUND**

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



### **ERIK KLAUSEN**

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



### **HEGE WULLUM**

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



### **NIRAV DAGLI**

Nirav Dagli, Director, is managing partner of Spinnaker LLC and founder and CEO of Spinnaker Analytics. He has 20 years of experience advising senior executive management on performance improvement strategy and execution. Previously, he was partner at Oliver Wyman. He has an M.Sc in electrical engineering and has taught courses in signal processing at Boston University. Mr Dagli serves as chairman of the board of directors at the Better Business Bureau of eastern Massachusetts, Maine, Rhode Island and Vermont.

# People 2017



**GEIR LUNDE**  
Managing Director

CEO, has more than 30 years' experience in exploration, geology and seismic interpretation. He graduated in petroleum prospecting from NTH, the Norwegian University of Science and Technology, in 1978.



**ERIK KLAUSEN**  
Manager HSE

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



**ODD EIRIK BAGLO**  
Chief Geophysicist

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



**OLE HERMAN FJELLTUN**  
Chief Reservoir Geologist

Chief Reservoir Geologist, has over 25 years' experience as an exploration and reservoir geologist. He graduated in geology from NTH, the Norwegian University of Science and Technology, in 1981.



**JUERGEN SCHLAF**  
Senior Geologist

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



**ELISABET MALMQUIST**  
Geological Advisor

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



**ENRIC LEON**  
Senior Geologist

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



**DIRK VAN DER WEL**  
Principal Production Geologist

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



**ANDERS G. FINSTAD**  
Senior Geophysicist

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



**MORTEN HEDEMARK**  
Operations Manager

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



**HILDE ALNÆS**  
Senior Geophysicist

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



**TOMMI RAUTAKORPI**  
Senior Geologist

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



**ANE MARTA SKAUG RASMUSSEN**  
Senior Geologist

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



**SEBASTIAN SCHEEL REY**  
Senior Geologist

Sebastian Scheel Rey graduated with a Master's Degree in Applied Geophysics from the University of Oslo in 2003, and has 15 years of experience as an exploration geoscientist.



*"I've missed more than 9000 shots in my career. I've lost almost 300 games. 26 times, I've been trusted to take the game winning shot and missed. I've failed over and over and over again in my life. And that is why I succeed."*

Michael Jordan has unparalleled accomplishments includes 6 NBA championships, 5-time Most Valuable Player, 6-time Finals Most Valuable Player, 10-time All-NBA First Team, NBA Rookie of the Year, 2-time Olympic Gold Medal Winner and a NCAA National Championship - just to name a few. He is a basketball legend and arguably the greatest player of all time. But he did not win six championships by himself. Jordan was blessed with a teammate and Hall of Fame player Scottie Pippen (one of the 50 Greatest Players in NBA History). And not to forget Dennis Rodman (7x NBA Rebounding Champion) and Toni Kukoc (1996, NBA Sixth Man of the Year) who were integral players in the second three-peat. The moral of this story is, teamwork for the win.

*"Talent win games, but teamwork and intelligence win championships."*

# Let's play!

There is little or none innovation in being too equal or always agreeing. Innovation occurs when people with different knowledge and experience are able to share information and put together new answers to old questions.



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