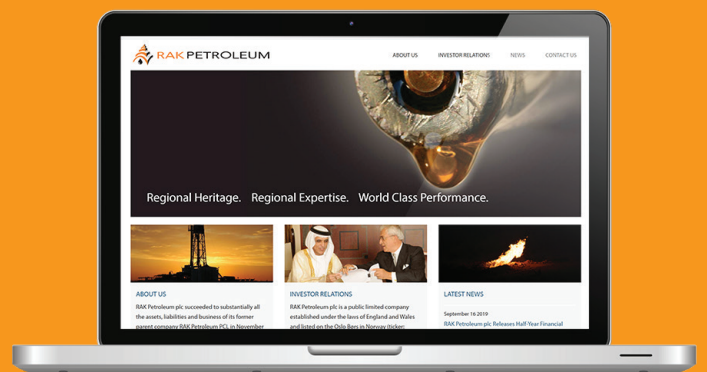


Annual Report and Accounts RAK Petroleum plc

31 December 2019





For further information on RAK Petroleum plc
please visit our website at www.rakpetroleum.uk

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Chairman's Letter

Dear Shareholders:

On behalf of the Board of Directors of RAK Petroleum plc ("RAK Petroleum" or the "Company"), I am pleased to present the Annual Report of the Company's business activities together with the Consolidated and Parent Company Financial Statements for the year ended 31 December 2019 and the Auditors' report thereon.

The Company currently holds interests in two oil and gas companies (the "Investment Entities"): DNO ASA ("DNO") and Foxtrot International LDC ("Foxtrot International"). At 31 December 2019, the Company indirectly owned 44.37 percent of the total outstanding shares of DNO and indirectly owned 33.33 percent of Foxtrot International.

DNO

DNO recorded 2019 revenues of USD 971 million -- the highest in the company's 48-year history. These record revenues reflected North Sea acquisitions and stepped up investments across DNO's portfolio that resulted in a 28 percent increase in Company Working Interest ("CWI") production. Net profit during 2019 stood at USD 74 million and DNO exited the year with a cash balance of USD 486 million.

DNO more than doubled its operational spend during 2019 to over USD 600 million including the largest annual drilling programme in its history with 36 wells drilled or spud. Gross operated production in 2019 averaged 126,985 barrels of oil equivalent per day ("boepd") including 104,767 boepd on a CWI basis, up from 117,607 boepd and 81,712 boepd, respectively, during 2018.

In the Kurdistan region of Iraq ("Kurdistan"), gross production from the two fields in the DNO-operated Tawke license climbed to 123,940 barrels of oil per day ("bopd") in 2019, up from 113,041 bopd in 2018. In the DNO-operated Baeshiqqa license containing two large structures with multiple target reservoirs, a discovery was reported in November 2019 with

additional exploration and appraisal operations ongoing.

In the North Sea, DNO added CWI production of 17,369 boepd and proven and probable (2P) CWI reserves of 66.3 million barrels of oil equivalent ("MMboe") in 2019 through the acquisition of Faroe Petroleum plc and assets swap with Equinor Energy AS for interests in four producing assets in Norway.

At year-end 2019, DNO held 106 licenses across its portfolio, nearly a fourfold increase from 28 licenses at year-end 2018. In Kurdistan, DNO continues to produce what are among the lowest-cost oil barrels in the global oil and gas industry in terms of finding, development and lifting costs. With the addition of the North Sea licenses, DNO is now placed among the top three European-listed independent oil and gas companies in terms of production and reserves (2P CWI reserves of 345 MMboe at yearend 2019).

Thus far, the Company has received three dividend payments from DNO, the first in September 2018 of USD 10.5 million, the second in March 2019 of USD 10.2 million and the third in November 2019 of USD 9.5 million, the differences being due to currency exchange fluctuations between the Norwegian krone ("NOK") and the USD.

The outbreak of coronavirus and the resulting drop in oil prices has had an adverse affect on the DNO share price. As Executive Chairman of DNO I am working closely with DNO management to mitigate the operational impact on DNO's operations.

Foxtrot International

Foxtrot International continued to supply almost three-quarters of Côte d'Ivoire's total gas production from its offshore CI-27 license. Our share of net cash flow from Foxtrot International was USD 16.6 million during the year. Since acquisition, the Company has received a cumulative net cash flow

of USD 65.1 million from Foxtrot International, mostly in the past three years following a period of intensive investment to install a new platform and drill additional wells.

On 24 February 2020, the CI-27 joint venture partnership and the government of Côte d'Ivoire signed amendments to their gas sales and purchase agreement and the Production Sharing Contract to extend the term of the agreements for 10 years until August 2034 and to increase the price of gas from the date of signature. In connection with these amendments the CI-27 joint venture partnership will spend approximately USD 100 million on new onshore processing facilities and pipelines to supply gas to two new power stations in the country.

Cash flow from Foxtrot International is expected to be positive going forward with any future capital investments funded by operating revenue.

Foxtrot International's business is much less affected by the volatility in world oil prices than is DNO's, as the predominant portion of Foxtrot International's revenues derives from gas sales under a long-term contract at agreed prices with an indexation formula that is only indirectly and partially tied to world oil prices.

RAK Petroleum

Cash flow from Foxtrot International and the dividend receipts from DNO enabled the Company to return capital to our shareholders by launching an offer to buy back USD 15 million of the Company's Class A Shares in January 2019. A total of 8,450,000 Class A Shares were purchased at a price of NOK 15 per share. A further buyback was launched in April 2019 resulting in the purchase of 7,233,333 Class A Shares at a price of NOK 18 per share.

The Company retains a small team of experienced operational, legal, commercial and financial professionals responsible for managing investments, screening new ventures, compliance with regulatory and

listing requirements and shareholder relations. In addition, the Company supports DNO and Foxtrot International through board positions and services agreements. I am privileged to serve as the Chairman of both Investment Entities while Shelley Watson, the Company's Chief Operating Officer and Chief Financial Officer, serves as a member of the DNO Board of Directors and its Audit Committee.

On behalf of the Board of Directors, I gratefully acknowledge executive management's and staff's diligence and commitment to the Company.

Finally, the members of the Board of Directors are grateful to our fellow RAK Petroleum shareholders for your continued support and confidence and invite you to visit our website (www.rakpetroleum.uk) for updates on our activities.

BIJAN MOSSAVAR-RAHMANI

Bijan Mossavar-Rahmani
Executive Chairman of the
Board of Directors

30 April 2020

I. Strategic Report

The Company

RAK Petroleum plc ("RAK Petroleum" or the "Company") is a public limited company by shares incorporated on 17 June 2013 under the laws of England and Wales and pursuant to the Companies Act 2006 ("UK Companies Act") with company number 08572925 and registered office at Elder House, St Georges Business Park, Brooklands Road, Weybridge, Surrey KT 13 OTS, United Kingdom. On 7 November 2014, the Company's Class A Shares were listed on the Oslo Børs.

The Company acts as a holding company and currently holds interests in two oil and gas companies (the "Investment Entities"): DNO ASA ("DNO") and Foxtrot International LDC ("Foxtrot International"). At 31 December 2019, the Company indirectly owned 44.37 percent of the total outstanding shares of DNO and indirectly owned 33.33 percent of Foxtrot International.

The Company's interests in the Investment Entities are held through RAK Petroleum Holdings B.V. ("RAKP BV"), an entity established under the laws of the Netherlands. RAKP BV holds the Company's 44.37 percent interest in DNO as well as its 100 percent interest in Mondoil Enterprises, LLC ("Mondoil Enterprises"). Mondoil Enterprises owns 50 percent of Mondoil Côte d'Ivoire LLC ("Mondoil Côte d'Ivoire"), which, in turn, owns 66.66 percent of Foxtrot International, resulting in the Company's indirect 33.33 percent interest in Foxtrot International.

The Company's indirect net percentage ownership of DNO, adjusted for DNO's treasury share ownership in the Company, increased from 41.80 percent to 44.37 percent during 2019 due to DNO's acquisition of a further 60.7 million own shares, bringing DNO's ownership of its own shares at year-end 2019 to 95.7 million.

Our Company's Strategy, Objectives and Business Model

The Company's fundamental objective

is to generate significant total shareholder returns from investments in the oil and gas industry, with a focus on the Middle East, West Africa and North Sea regions.

The Company seeks to pursue this objective by:

- Improving liquidity and realisable value in the Company's equity shares;
- Continuing to help enhance the operating and financial performance of its Investment Entities;
- Focusing on growth in the Middle East, West Africa and North Sea regions, both through its Investment Entities and by seeking to identify other attractive acquisition opportunities in oil and gas exploration and production when perceived geopolitical and other risks are manageable; and
- Continuing to enhance relationships with governments and other stakeholders in support of its Investment Entities.

The Company can generate significant shareholder returns by growth in the market value of its shares, through dividends or through other distributions to shareholders.

Although influenced by many factors, the market value of the Company's shares can grow principally through growth in the net asset values ("NAV Growth") of the Investment Entities or through a lower discount of those net asset values ("NAV Discount") to the market value of the Company's shares. One strategy of the Company is to seek to reduce that NAV Discount over time, or even reverse it, so that the Company's shareholders can realise the underlying market values of the Company's investments.

The Company's indirect shareholding in DNO is its largest asset by far and has the greatest impact upon the overall value of the Company. DNO paid a dividend to its shareholders in

September 2018, March 2019 and November 2019. There is no assurance that it can or will continue to do so on a regular basis.

Distributions from Foxtrot International have provided the Company with regular cash flow for several years and these distributions may not only provide for all the Company's working capital needs, but may also be available for future investments, reduction of debt, share buybacks or for dividends or other cash distributions to the Company's shareholders.

Dividends or other cash distributions can be made available either through dividends to the Company from the Investment Entities or through an extraordinary transaction involving the Company and/or the Investment Entities.

Development and Performance of the Business During the Year and its Position at Year-End

The Company's and the Group's key performance indicators are the financial performance indicators of its Investment Entities.

Until year-end 2017, the Group had accounted for its interest in DNO using the equity method of accounting and reported its results in prior years on that basis. Upon re-examination of the factors that influence that decision following discussion with a Review Group of the United Kingdom's ("UK") Financial Reporting Council ("FRC") during 2017, the Group determined to account for DNO on a consolidated basis for the year ended 31 December 2017 and has continued to do so for the years ended 31 December 2018 and 31 December 2019. Further detail regarding this judgement can be found in the Notes to the Consolidated and Parent Company Financial Statements. The share of profit attributable to the Company's shareholders is not materially affected by this change in accounting treatment; however, the presentation and statement of financial position of the Group is affected. Throughout this Annual Report, references to the Group now include DNO on a gross consolidated basis.

The Company and its wholly-owned subsidiaries have no direct production or expenditure in oil and gas assets. All production and expenditure in oil and gas assets is carried out through the Investment Entities, DNO and Foxtrot International, which are discussed separately below. Due to the nuances of the financial reporting rules which require DNO but not Foxtrot International to be included in the Group non-financial performance figures, it is more meaningful to discuss the business for the year ended 31 December 2019 of the Company and each Investment Entity separately.

As a consequence of the results of its Investment Entities, the Group recorded a consolidated net comprehensive income of USD 30.9 million for the year 2019 (net comprehensive income of USD 166.4 million in 2018). At 31 December 2019, total cash and cash equivalents of the Company stood at USD 21.7 million and including its wholly-owned subsidiaries stood at USD 30.0 million. The Company's bank debt was USD 14.3 million (USD 22.5 million at 31 December 2018), drawn from a lending arrangement with a leading bank in the United Arab Emirates.

At 31 December 2019, the Company's stake in DNO had a market value of USD 574.0 million based on DNO's quoted share price and year-end exchange rate and represented approximately 87 percent of the net asset value of the Company, using DNO's quoted share price and the book value of Mondoil Enterprises.

Net equity at 31 December 2019 stood at USD 830.5 million compared with USD 835.5 million at 31 December 2018.

DNO

DNO is a Norwegian exploration and production company listed on the Oslo Børs (Oslo Stock Exchange) and focused on the Middle East and North Sea regions. It has interests in oil and gas blocks in various stages of exploration, development and production, both onshore and offshore. DNO's growth comes through smart exploration, cost effective and fast track development,

efficient operating techniques and strategic acquisitions.

Founded in 1971 and listed on the Oslo Børs since 1981, DNO is headquartered in Oslo, with offices in Stavanger, Dubai, London, Aberdeen and Erbil with a total of 1,318 employees at year-end 2019. The Executive Chairman of the Board of Directors of the Company, Mr. Mossavar-Rahmani, is also the Executive Chairman of the DNO Board of Directors.

In 2017, DNO re-entered the North Sea by acquiring Origo Exploration Holding AS ("Origo"), which was subsequently renamed DNO Norge AS. Notably in early 2019 DNO completed the USD 780 million acquisition of Faroe Petroleum plc ("Faroe"), an oil and gas company with a primary focus on exploration and production offshore Norway and the UK.

The Faroe acquisition transformed DNO into a more diversified company with a strong, second leg. Through the transaction, DNO picked up attractive exploration, production and development projects and an experienced North Sea oil and gas team.

An asset swap agreement with Equinor Energy AS ("Equinor") was completed on 30 April 2019 following approval by Norwegian authorities. The transaction had an effective date of 1 January 2019. As part of the transaction, the Company's interests in the non-producing Njord and Hyme redevelopment and Bauge development assets were exchanged, on a cashless basis, for interests in four Equinor-held producing assets (the Alve, Marulk, Ringhorne East and Vilje fields).

At 31 December 2019, DNO held interests in 106 licenses in six countries on two continents in the Middle East and North Sea regions and had one of the largest market capitalisations among oil and gas companies listed on the Oslo Børs. DNO's principal producing assets and reserves are in the Kurdistan region of Iraq ("Kurdistan") where it holds three licenses, in Norway where it holds 87 licenses and in the

UK where it holds 12 licenses. Licenses are also held in the Netherlands (two licenses), Ireland (one license) and Yemen (one license).

DNO continues to develop a pipeline of new business opportunities with a focus on its core Middle East and North Sea regions. It is actively pursuing growth opportunities including exploration, development and production assets as well as corporate acquisitions. DNO announced in January 2020 that it had been awarded participation in 10 additional exploration licenses in Norway, of which two are operatorships, under Norway's Awards in Predefined Areas ("APA") 2019 licensing round.

DNO reported operated production in 2019 of 126,985 barrels of oil equivalent per day ("boepd"), up from 117,607 boepd in 2018. DNO's Company Working Interest ("CWI") production stood at 104,767 boepd in 2019 (with Equinor swap assets included from effective date of 1 January 2019, or 101,986 boepd if included from completion date of 30 April 2019) up from 81,712 in 2018.

Middle East

DNO holds four operated licenses in the Middle East; three in Kurdistan (Tawke, Erbil and Baeshiqa) and one in Yemen (Block 47).

DNO holds a 75 percent interest in and is operator of the Tawke license with Genel Energy plc holding the remaining 25 percent. Overall production in the Tawke license was held stable by additional appraisal and development drilling in the Peshkabir field and infill drilling in the Tawke field, with 18 wells spud in 2019. Tawke field production averaged 68,749 barrels of oil per day ("bopd") with the wells drilled in 2019 contributing 13 percent at year-end. Peshkabir field production averaged 55,191 bopd with the wells drilled in 2019 contributing 40 percent at year-end.

Engineering and construction work on the Peshkabir-to-Tawke gas injection project advanced during 2019. When commissioned in the second quarter 2020, this project is expected to

increase oil recovery rates and unlock additional volumes at the Tawke field while eliminating flaring at the Peshkabir field. The Peshkabir-to-Tawke gas injection project marks the first Enhanced Oil Recovery ("EOR") project in Kurdistan.

The Baeshiqa license contains two large structures with multiple independent stacked target reservoirs, including in the Cretaceous, Jurassic and Triassic formations. DNO is operator of the Baeshiqa license with a 32 percent interest, along with ExxonMobil (32 percent), the Turkish Energy Company (16 percent) and the Kurdistan Regional Government ("KRG") (20 percent). The first well, Baeshiqa-1, targeting the Cretaceous reservoir, was drilled to 1,511 metres and has been suspended pending completion of testing of the adjacent Baeshiqa-2 well. The Baeshiqa-2 well, targeting the deeper Jurassic and Triassic reservoirs on the same structure, spud in February 2019. In November 2019, DNO reported a discovery after flowing variable rates of light oil and sour gas to surface from the upper part of the Triassic Kurra Chine B reservoir. Following a workover and acid stimulation in early 2020, testing operations have resumed. Site construction is ongoing for a third exploration well (Zartik-1) to be spud in the third quarter of 2020 targeting Jurassic and Triassic formations on the second structure.

In the Erbil license where DNO holds 40 percent with partner Gas Plus Erbil (40 percent) and the KRG (20 percent), testing of the Hawler-1A well at the Benenan heavy oil field was suspended in the fourth quarter of 2019. DNO notified the KRG in early 2020 of its plan to relinquish operatorship and participation in the Erbil license, effective 21 May 2020.

At the Tawke license containing the Tawke and Peshkabir fields, at year-end 2019 gross proven ("1P") reserves stood at 227.6 MMbbls (156.9 MMbbls on a CWI basis), compared to 348.0 MMbbls (239.7 MMbbls on a CWI basis) at year-end 2018. At year-end 2019 gross proven and probable ("2P") reserves stood at 400.0 MMbbls (274.7 MMbbls on a CWI basis),

compared to 501.9 MMbbls (344.3 MMbbls on a CWI basis) at year-end 2018. At year-end 2019 gross proven, probable and possible ("3P") reserves stood at 640.7 MMbbls (437.9 MMbbls on a CWI basis), compared to 696.8 MMbbls (476.6 MMbbls on a CWI basis) at year-end 2018.

DNO's reserves and contingent resources at the Erbil license were written down to zero at year-end 2019 given DNO plans to relinquish the license.

No reserves or contingent resources were recorded for the Baeshiqa license at year-end 2019, pending conclusion of ongoing testing activities in the license.

In Yemen, political instability has meant the Block 47 license remains in force majeure with the development of the Yaalen field on hold.

DNO continued to progress the divestment of non-core assets in 2019 with the sale of its holding of Panoro Energy ASA shares in November 2019.

North Sea

At year-end 2019, DNO held interests in 102 licenses across its North Sea portfolio, of which 23 were operatorships, with 87 licenses in Norway (22 operatorships), 12 licenses in the UK (one operatorship), two licenses in the Netherlands and one license in Ireland.

DNO has diversified production with the addition of nine fields in Norway and four fields in the UK. During 2019, CWI production averaged 16,478 boepd (including full-year production from the effective date of 1 January 2019 from assets acquired from Equinor) in Norway and 891 boepd in the UK.

In 2019, 17 North Sea wells were spud, including 10 exploration and appraisal wells and six production and injection wells in Norway and one exploration well in the UK.

On a CWI basis at year-end 2019, 1P reserves in DNO's Norway licenses totalled 47.5 MMboe, 2P reserves

totalled 68.3 MMboe and 3P reserves totalled 99.5 MMboe. No reserves were recorded for DNO's Norway licenses at year-end 2018. The CWI proven and probable contingent resources ("2C") were 157.5 MMboe at year-end 2019, up from 7.6 MMboe at year-end 2018. On a CWI basis at year-end 2019, 1P reserves in DNO's UK licenses totalled 1.2 MMboe, 2P reserves totalled 1.8 MMboe and 3P reserves totalled 2.6 MMboe. No reserves were recorded in the UK at year-end 2018. The CWI 2C resources were 10.5 MMboe at year-end 2019, compared to 8.5 MMboe at year-end 2018.

Overall Reserves and Resources

At 31 December 2019, DNO's overall CWI 2P reserves were estimated at 344.8 MMboe, compared to 371.6 MMboe at year-end 2018 after adjusting for production during the year and technical revisions offset partly by reserves added through the acquisition of Faroe in 2019. CWI 2C contingent resources were estimated at 187.8 MMboe, compared to 76.8 MMboe at year-end 2018. The CWI 1P reserves were estimated at 205.6 MMboe, compared to 239.7 MMboe at year-end 2018. International petroleum consultants DeGolyer and MacNaughton carried out the annual independent assessment of the Tawke and Peshkibir fields and international petroleum consultants Gaffney, Cline & Associates carried out an independent assessment of DNO's licenses in Norway and the UK, both in accordance with the Petroleum Resource Management System framework approved by the Society of Petroleum Engineers using the classification criteria of the Norwegian Petroleum Directorate. DNO internally evaluated its remaining assets.

DNO's year-end 2019 Reserve Life Index (reserves divided by current period production rate) stood at 5.4 years on a 1P reserves basis, 9.0 years on a 2P reserves basis and 14.1 years on a 3P reserves basis.

Financial Performance

On 29 May 2019, DNO completed the placement of USD 400 million of five-

year senior unsecured bonds issued at 100 percent of par with a fixed coupon rate of 8.375 percent. In connection with the bond placement, DNO agreed to buy back USD 60 million in nominal value of the DNO01 bond at 104.16 percent of par plus interest. The new bond is listed on the Oslo Børs under ticker DNO03. The principal amount at 31 December 2019 is USD 400 million and falls due on 29 May 2024. During 2019 DNO acquired USD 64.6 million of FAPE01 bonds leaving USD 21.2 million outstanding. Total bonds outstanding at 31 December 2019 amounted to USD 961.2 million.

DNO's financial results remained positive with total revenues of USD 971.4 million for 2019 (USD 829.3 million in 2018 including USD 182.8 million as a result of a change in revenue recognition from cash to an accrual basis on 1 October 2018). DNO reported a 2019 net operating profit of USD 75.6 million (operating profit of USD 376.8 million in 2018), reflecting revenues of USD 971.4 million as well as cost of goods sold of USD 541.4 million (USD 350.6 million in 2018), exploration costs expensed of USD 146.4 million (USD 64.7 million in 2018) and impairment charges of USD 162.0 million (USD 1.9 million in 2018). The 2019 figures are impacted by the addition of the North Sea assets with increased exploration activity, higher costs per barrel and impairments mainly related to the impairment of technical goodwill.

DNO's comprehensive net income after accounting for financial income (USD 9.6 million), financial expenses (USD 133.1 million) and taxes (USD 121.3 million credit) was USD 72.3 million (USD 367.7 million in 2018). The tax credit is a result of exploration expenditure in Norway that is refunded partly by the Norwegian government when the entity is not in a tax paying position (see Note 10 of the Consolidated and Parent Company Financial Statements).

DNO's 2019 capital expenditures amounted to USD 407.9 million, up from USD 138.0 million in 2018 due to increased investments in the Tawke and Baeshiqa licenses and the newly

acquired North Sea assets. DNO ended the year with USD 485.7 million in cash and an additional USD 144.5 million in treasury shares and marketable securities compared to USD 729.1 million in cash and USD 281.0 million in treasury shares and marketable securities at year-end 2018.

The Company's shareholding in DNO received a dividend of USD 10.2 million on 27 March 2019 and of USD 9.5 million on 4 November 2019

DNO's closing share price on the Oslo Børs was NOK 12.55 on 29 December 2018 and NOK 11.57 on 30 December 2019; the shares traded in a range between NOK 9.80 and NOK 20.60 during 2019.

Further details concerning DNO's financial results, operations and reserves may be found in DNO's 2019 Annual Report and Accounts and its 2019 Annual Statement of Reserves and Resources, prepared in accordance with Oslo Børs listing and disclosure requirements (Circular No. 1/2013) utilising the Norwegian Petroleum Directorate classification system. Both reports are available on DNO's website, www.dno.no.

Foxtrot International

Foxtrot International is a privately-held exploration and production company active in West Africa and headquartered in Abidjan, with approximately 170 employees. The Company's Executive Chairman, Mr. Mossavar-Rahmani, is the Chairman of the Board and co-founder of Foxtrot International.

Foxtrot International holds a 27.27 percent stake in and operates Block CI-27 offshore Côte d'Ivoire, containing the country's largest reserves of gas in four producing gas fields with associated oil and condensates. In addition to the Foxtrot gas field, which began production in 1999, the block contains the Mahi gas field, developed in 2012, as well as the Marlin oil and gas field and the Manta gas field which began production in 2016, following a four-year, USD 1 billion development campaign covering the installation of a

second offshore platform and drilling of additional wells. Gas produced by Block CI-27 is transported via pipeline to fuel power stations in Abidjan pursuant to a gas sale and purchase (take-or-pay) agreement put into force in June 1999 and subsequently amended and extended to 2024. The new platform has doubled Block CI-27's hydrocarbons treatment capacity and increased the supply and reliability of gas deliveries.

On 24 February 2020, the CI-27 joint venture partnership, including Foxtrot International, and the Government of Côte d'Ivoire signed amendments to their gas sales and purchase agreement and the Production Sharing Contract ("PSC") to extend the term of the agreements by 10 years until August 2034 and to increase the base price of gas from the date of signature to USD 6.0 per million btu while maintaining the existing indexation formula. The take-or-pay level remains at 140 million standard cubic feet per day ("mmscfd"). In connection with these amendments the CI-27 joint venture partnership will spend approximately USD 100 million on new onshore processing facilities and pipelines to supply gas to two new power stations to be built in Côte d'Ivoire. Additional drilling of five wells over the period of the extension is planned to boost the production capacity of the license.

In 2019, Foxtrot International produced a gross average of 136.4 mmscfd (up 8 percent from a year earlier due to the reduced use of hydroelectric power) together with another 1,620 barrels per day of oil and condensates.

Foxtrot International's business is much less affected by the volatility in world oil prices than is DNO's, as the predominant portion of the former's revenues derives from gas sales under a long-term contract at an agreed price with an indexation formula that is only indirectly and partially tied to world oil prices. Foxtrot International's sales of oil and condensates take place at arm's length market prices and move up or down with changes in international prices for these products.

Foxtrot International's 2019 net profit prior to accounting for depletion was USD 32.0 million (net profit of USD 39.1 million in 2018) or USD 10.7 million to the Company's interest. After accounting for the Company's share of depletion, the Company's profit from Foxtrot International in 2019 was USD 9.1 million (USD 11.2 million in 2018). In 2019 the Company received USD 23.3 million in cash distributions from Foxtrot International (USD 22.0 million in 2018), USD 6.8 million of which were reinvested. An impairment reversal of USD 5.4 million was taken after comparing the Company's carrying amount to the value-in-use. Combined with the 2019 net dividend movement, fair value depletion, impairment reversal and an adjustment to recognise a liability relating to take-or-pay gas sales contract obligations (USD 6.4 million), the book value of the Company's investment in Foxtrot International stood at USD 85.7 million at 31 December 2019 (USD 94.2 million at 31 December 2018).

Principal Risks and Uncertainties Facing the Company

The Company's Investment Entities face the risks and uncertainties associated with oil and gas operations in very challenging parts of the world. This section seeks to highlight those risks that are most material and most likely to impact the Company in the next reporting period until 31 December 2020. While successful navigation of these risks provides the opportunity for substantial returns, there can be no assurance that these risks will be successfully mitigated.

Risk Management

As the principal foreseeable risks to the Company's Investment Entities are external forces, there is little that Company management or management of the Investment Entities can do to avert those risks directly or fully. However, risk management is integral to all of the activities of the Investment Entities and the Company. Each member of executive management of the Company and the Investment Entities is responsible for continuously monitoring and managing

risk within the relevant business areas. Every material decision is preceded by an evaluation of applicable business risks.

Coronavirus

The outbreak of the novel coronavirus in December 2019 ("COVID-19") and the significant decline in oil prices in the first quarter of 2020 will have adverse effects on the Group's operations and financial results this year, but the extent and duration of these conditions over the longer term remain largely uncertain and dependent on future developments that cannot be accurately predicted at this time.

DNO and Foxtrot International are closely monitoring the impact of the coronavirus pandemic, including on border closures, travel restrictions and interruptions to supply chains and third-party services, among others, and will implement measures required to minimise the adverse impact on staff, operations, liquidity and financial results.

Commodity Price Risk

A substantial decline in world oil prices would likely have a substantial adverse impact on the financial results of DNO and on the value of its assets. Significantly lower oil prices affect DNO's revenues, profitability, ability and desirability of implementing drilling plans and overall short-to-medium term prospects of the business. Lower oil prices also affect the ability of the KRG to make payments to DNO for its share of oil exports from Kurdistan.

World oil markets have been characterised by substantial volatility over extended periods of time. From mid-2017 to third quarter 2018, oil prices rose steadily, increasing 60 percent before a rapid decline also of 60 percent in the last three months of 2018. Brent oil prices varied from a low of USD 50.47 per barrel to a high of USD 86.29 per barrel in 2018 with a variation from a low of USD 54.91 per barrel to a high of USD 74.57 per barrel throughout 2019. Since year-end 2019 Brent oil prices have fallen from USD 66.00 per barrel to as low as USD 19.33 per barrel.

The Company cannot predict whether or when a further recovery or decline in oil prices will take place.

Since the high in 2019 of more than 20 NOK per share, the market price of DNO shares on the Oslo Børs declined to less than 3 NOK per share in March 2020. A significant part of that decline was due to the fall in world oil prices that impacted the share prices and operations of oil companies across the sector. This has a flow-on affect on the Company's share price.

Future oil price assumptions are key estimates in the Group's financial statements and a change in these assumptions may impact the recoverable amount of the Group's oil and gas assets, reserve and resource estimates, operational spend level and distribution of future dividends. Continuing low oil prices may also reduce the Group's revenues and increase the credit risk related to the Group's trade receivables.

Conversely, higher oil prices would have a material positive impact on DNO.

Foxtrot International's business is much less affected by the volatility in world oil prices than is DNO's, as the predominant portion of the former's revenues derives from gas sales under a long-term contract at an agreed price with an indexation formula that is only indirectly and partially tied to world oil prices.

Entitlement Risk

DNO has interests in three licenses in Kurdistan through PSCs and has based its entitlement calculations on the terms of these PSCs. Although DNO has good title to its licenses, including the right to explore for and produce oil and gas from these licenses, the Federal Government of Iraq ("FGI") has in the past challenged the validity of certain PSCs signed by the KRG.

Historically, as a result of disagreements between the FGI and the KRG, economic conditions in Kurdistan and limited available export channels, DNO has faced constraints in fully monetising its oil produced in Kurdistan. There is no guarantee that oil and gas can be

exported in sufficient quantities or at prices required to sustain its operations and investment plans, or that DNO will promptly receive its full entitlement payments for the oil it delivers for export. In the past, export sales have not followed the PSC terms and there has historically been uncertainty related to both timing of revenue and receipt of payments.

Security Risk

Several of the licenses and operations of the Investment Entities are in areas subject to war, terrorism and/or civil strife.

In Kurdistan, DNO continues to closely monitor security conditions although the operations to date have seen minimal impact from regional developments.

In Yemen, continuing hostilities make it unlikely that DNO will soon revive the operations it conducted there.

Although there has been civil unrest from time to time in Côte d'Ivoire, there has never been a meaningful disruption of Foxtrot International's operations.

Liquidity Risk

If Foxtrot International's production is disrupted, or the Company is faced with unanticipated cash calls resulting from any cost overruns or the Company's receipt of cash distributions from Foxtrot International is otherwise delayed for an extended period of time, there would be a significant adverse effect on the Company and its financial results. Nevertheless, the Company believes it has resources and alternatives sufficient to ameliorate any such disruptions in the short term.

Foxtrot International is a joint venturer in Block CI-27 with SECI SA, PETROCI and Energie de Côte d'Ivoire ("ENERCI"), jointly owned by the three other co-venturers. If a partner's payment of a cash call from the joint venture is delayed or defaulted, the non-defaulting partners may under certain circumstances be called upon to cover the deficit in the cash call in proportion to their interests, with rights to recover the shortfall from the joint venture interest of the defaulter. In one instance in the first quarter of

2016, one partner's cash call payment was delayed for 41 days. During 2017, one partner of license CI-502 failed to pay its share of a cash call and legal processes were initiated to recover these latter funds.

Similarly, although there are in place certain limited payment guarantees from the Government of Côte d'Ivoire for gas purchases by the electricity sector, if any buyer fails to pay for its gas, oil or condensate purchases from Foxtrot International for extended periods of time, the payment delay or default may have a material adverse impact on Foxtrot International and the Company's cash flow. Historically, payments for gas purchases by the electricity sector were delayed from time to time, due in part to the buyers' difficulty in obtaining US Dollars. Foxtrot International has agreed to accept payments from one buyer of oil and condensate (approximately 10 percent of total revenue) in local currency, to be used to cover local currency expenditures, in the event US Dollars cannot be obtained.

As discussed above under Entitlement Risk, DNO's ability to sell its Kurdistan oil production and receive prompt payment could substantially affect the performance of DNO, including its liquidity and its ability to pay dividends to its shareholders.

Operational Risk

The Company's Investment Entities, DNO and Foxtrot International, are exposed to operational risks across their portfolios. Operational risk applies to all stages of upstream operations, including exploration, development and production. Failure to manage operations efficiently can manifest itself in project delays, cost overruns, higher-than-estimated operating costs and lower-than-expected oil and gas production and/or reserves. Exploration activities are capital intensive and involve a high degree of geological risk. Sustained exploration failure can affect the future growth and upside potential of the Investment Entities and ultimately the Company. Inefficiency or interruption to the supply chain or the unwillingness of service contractors to engage in the Investment Entities'

areas of operation may also negatively affect the Investment Entities' operations, and consequently the financial results of the Company.

DNO and Foxtrot International are closely monitoring the impact of the ongoing coronavirus outbreak on their operations. See the subsequent events note for further detail on the coronavirus.

Compliance Risk – Anti-Corruption Policy

The Company and its Investment Entities and other subsidiaries have a policy of zero tolerance for corruption, bribery and other illegal or inappropriate business conduct. Violations of compliance laws and contractual obligations can result in fines and a deterioration in the Company's and its Investment Entities' ability to effectively execute their business plans. The Company and its Investment Entities and other subsidiaries adhere to a strict and comprehensive conflict of interest policy, trade sanctions and other policies focused around a Code of Conduct to ensure regulatory and Company expectations are met. The Company specifically does not permit or tolerate engaging in any form of corruption or bribery and in September 2014 adopted an Anti-Corruption Policy and an Anti-Corruption Manual that explains and elaborates the content and implications of the Company's policies in relation to anti-corruption and anti-bribery matters.

Stakeholder Risk

In order to operate effectively, it is necessary for the Company, its Investment Entities and other subsidiaries to maintain productive and proactive relationships with stakeholders, host governments, business partners and the communities in which they operate. Failure to do so can result in difficulties in progressing initiatives as well as delays to ongoing operations.

Risks from Transition to a Lower Carbon Economy/Climate Change

Global concern over greenhouse gas ("GHG") emissions and climate

change, transition to a lower carbon economy, potential physical effects of climate change, potential new laws and regulations related thereto, and growing concerns of stakeholders may adversely affect the business and financial condition of the Company and its Investment Entities.

The transition to a low-carbon energy future poses fundamental strategic challenges for the oil and gas industry with political, regulatory, market and physical risks as well as reputational impact.

Regulatory and climate policy risk: Regulatory changes and policy measures targeted at reducing greenhouse gas emissions are likely. Stricter climate regulations and climate policies could impact the Group's financial outlook, whether directly through changes in taxation and regulation or indirectly through changes in consumer behavior, both of which could adversely affect the Group's businesses and financial condition, including its operating income and cash flow. In particular, any regulations designed to gradually limit fossil fuel use may negatively and significantly affect the economic value of certain of the Group's assets, depending on the GHG emission limits and time horizons set.

Market-related risk: There is continuing uncertainty over long term demand for oil and gas due to factors such as technology development, climate policies, changing consumer behaviour and demographic changes. Technology development to use non-fossil-based fuels and increase energy efficiencies and the increased cost-competitiveness of renewable energy and low-carbon technologies present potential risks to the value of oil reserves and growth opportunities for the Company and its Investment Entities, particularly DNO. As such, there is significant uncertainty regarding the long-term implications to the Group arising from the transition to a lower-carbon economy.

Reputational impact: Increased concern over climate change could lead to increased litigation against fossil fuel producers, as well as a more

negative perception of the oil and gas industry. The latter could impact talent attraction and retention.

Physical climate risk factors: Changes in climate from rising sea levels, changes in sea currents and increasing frequency of extreme weather events could impact the operations of the Investment Entities. Although the Investment Entities' facilities are designed to withstand extreme weather events, there is significant uncertainty regarding the magnitude, impact and duration of any such events.

Impact of British Exit from the European Union ("Brexit")

The UK formally left the European Union ("EU") on 31 January 2020. There is in place a transition or implementation period until 31 December 2020 during which the details of Brexit will be agreed and determined. During the transition period, all EU rules and regulations continue to apply to the UK and therefore to the Company. Although the final details of Brexit are still uncertain, the following describes the impact upon the Company's governance and shareholder rights and obligations when Brexit becomes effective.

The Company is incorporated and has its registered office in the UK and its Class A Shares are listed only on the Oslo Børs. While both Norway and the UK were members of the European Economic Area ("EEA"):

(i) Norway was considered the Company's host state, cf Section 5-4 (5) of the Norwegian Securities Trading Act ("STA"), while the UK was considered its home state. Consequently, the Company's notification and periodic information requirements were governed by the UK Disclosure Guidance and Transparency Rules ("DTRs"), rather than the STA; and

(ii) takeover offers for the Company's Class A Shares were subject to a shared jurisdiction regime, governed partly by the STA and partly by the UK City Code on Takeovers and Mergers ("UK

Takeover Code"), whereby issues relating to the offer procedure and consideration were regulated by the STA and issues relating to company law aspects of the offer were regulated by the UK Takeover Code.

When EU rules and regulations cease to apply to the UK, it will no longer be the Company's home state and the basis for the shared jurisdiction regime in relation to takeover offers will cease to apply.

This will have the following consequences:

- (i) Norway will become the Company's home state and the notification and periodic information requirements of the STA will replace the requirements of the DTRs; and
- (ii) the Takeover Code will cease to apply, and the STA will apply to its full extent in the event of takeover offers for the Company.

Consequences of Norway Becoming the Home State

Based on the Company's analysis of the applicable DTRs compared to the disclosure notification and periodic information requirements of the STA, the main changes for the shareholders will be:

- Primary insiders and their close associates will be required to report all trades of shares to the Oslo Børs immediately and no later than market opening the day after the trade (in contrast to within three working days under UK rules); and
- The disclosure thresholds for large shareholdings will be 5, 10, 15, 20, 25, 1/3, 50, 2/3 and 90 percent and the notification must be made to the Company and the Oslo Børs immediately (in contrast to within two trading days under UK rules).

Consequences of the STA Applying in Full in the Event of Take-over Offers
A number of regulations in chapter 6 of the STA differ slightly from the

UK Takeover Code and will apply to the Company. However, based on an analysis by the Company and its counsel, the main difference between the Norwegian takeover rules and the UK Takeover Code is that the percentage of "control" required to trigger a mandatory bid would change from 30 percent to one-third, and would be again triggered at 40 percent and 50 percent, rather than by any subsequent increases.

Environmental, Social, Community and Human Rights Issues and Risks

As the Company's business involves the management of its investments in the Investment Entities with a small staff and minimal footprint, the potential environmental, social and community policies and impacts of its own or any of its wholly-owned subsidiaries' business activities are not material and the Company is not aware of any material social, community or human rights impacts or issues regarding its business activities. Accordingly, a formal environmental, human rights, social and community policy at the Company level is immaterial and impractical and has therefore not been adopted.

Environmental/HSSE

Both of the Company's Investment Entities have robust environmental compliance policies. To the Company's knowledge, after enquiry, neither DNO nor Foxtrot International are aware of material violations of any applicable environmental regulations or rules.

Oil and gas exploration and production inherently involves exposure to potentially hazardous materials. The loss of containment of hydrocarbons or other dangerous substances could represent material risks to the environment. Through operational controls, environmental impact assessments, asset integrity protocols and management systems related to health, safety and the environment, the Company's Investment Entities aim to mitigate hazards with a potentially adverse impact on people, the environment, assets and reputation.

DNO

DNO has in place its own robust Health, Safety, Security and Environment ("HSSE") policies and standards which are based on the following principles:

- Avoid harm to all personnel involved in, or affected by, operations;
- Minimise pollution and eliminate the impact of operations on the environment;
- Comply with all applicable legal and regulatory requirements; and
- Achieve continuous improvement in HSSE performance.

During 2019, the following were DNO's key HSSE highlights:

- Four Serious Vehicle Accidents took place with over four million kilometres driven with no recordable injuries as a result of these accidents;
- Total greenhouse gas emissions, including from operations in Kurdistan and the North Sea and from all DNO's offices and travel, stood at 639,200 tonnes of CO₂ equivalent, up from 417,000 tonnes in 2018 due largely to the flaring of gas at the Peshkabir field which will be substantially reduced in 2020 through a USD 100 million project to capture Peshkabir gas and reinject it instead into the Tawke field for enhanced oil recovery;
- Spills/leaks increased to 30 in 2019 from five in 2018, with total volumes spilled of 65 barrels, up from 35 barrels;
- Security incidents stood at one, down from four in 2018.

DNO's Total Recordable Injury Frequency ("TRIF") during 2019 was 0.9, down from 1.0 in 2018. A comprehensive improvement plan to further reduce the number of injuries and high potential incidents has been established.

Foxtrot International

Protection of the environment is a core concern for Foxtrot International. It has

adopted an environmental risk control policy and every new project is the object of an environmental impact study and a specific analysis of technological risks. Foxtrot International focuses on eliminating the risks of accidental emissions through preventive maintenance and periodic controls. Foxtrot International's dedication to principled environmental management resulted in the company receiving the ISO 14001 Certification in 2014 and being recognised for environmental excellence for the third consecutive year as the "Eco-Citizen Company 2018," awarded by the Ministry of Environment and Sustainable Development of Côte d'Ivoire.

Employee/Social/Human Rights

The Company has adopted an Anti-Slavery and Human Trafficking Policy that prohibits engaging in human trafficking and seeks to ensure that the Investment Entities and their contractors adhere to that policy. It is not aware of any breaches of those policies or risks within its own organisation or its Investment Entities.

DNO and Foxtrot International have both implemented policies recognising their responsibility to their employees, communities and to human rights generally.

Foxtrot International recognises human capital is an invaluable asset for its business and has made the physical safety of staff and contractors a priority. It maintains an active policy for hygiene/health, safety and prevention of labour-related accidents for all of its activities. To this end, its activities are conducted in compliance with the following principles:

- All injuries and illnesses caused by work are avoidable;
- There are no circumstances or situations which may justify undue exposure to risk and hazardous situations;
- Each employee has a responsibility to himself or herself and vis-à-vis fellow employees regarding safety and prevention of work-related accidents.

Foxtrot International's occupational health and safety management system has been certified in accordance with the OHSAS-18001 version 2007, demonstrating the implementation of best practices and the prioritisation of employee health and safety.

Foxtrot International supports and contributes to the efforts of its local communities to improve living conditions, with particular focus on education. These range from building classrooms and equipping school canteens to drilling fresh water wells and installing storage towers.

DNO, too, has had a longstanding commitment to contributing to the development of local communities in which it operates. It creates jobs, hires and trains local staff and partners with local businesses that provide such services as inspections, maintenance support, civil engineering, transportation, remediation, catering, security, consumables, equipment and waste disposal. It works to ensure that its service providers are compliant with internationally recognised human rights protocols and in particular do not engage in child labour practices.

In Kurdistan, DNO uses its operational presence and capabilities to provide services to nearby communities and help develop infrastructure. DNO has supplied electric power and fresh water to villages, improved roads, distributed winter clothes to children of displaced families in refugee camps, built an intermediate school and provided classroom supplies for several primary schools across the region.

Anti-Bribery/Anti-Corruption

In addition to the Company's Anti-Bribery and Anti-Corruption Policy described above, both of the Investment Entities have adopted policies prohibiting bribery and corruption.

DNO has adopted its own code of conduct and anti-corruption policy of zero tolerance for bribery, corruption, fraud and other illegal business conduct. The policies set out standards and contain strict adherence guidelines with respect to anti-corruption and it provides training, monitoring and implementation to prevent anyone

working for DNO, or acting on DNO's behalf, from engaging in any form of illegal, unethical or other disallowed corporate and personal conduct.

Foxtrot International has made ethical behaviour rooted in honesty, integrity and loyalty one of its core values in every aspect of its activities and expects the same criteria of probity from its business relationships.

Workforce Diversity

Although the Company has not adopted a formal diversity policy owing to the limited number of officers and employees appointed to or employed by the Company's administrative, management and supervisory bodies, as of the date of this Annual Report five of seven of the employees of the Company are female. All five members of the Board of Directors are male. Two of the four executive managers of the Company are female. The Company has four nationalities represented.

At year-end 2019, DNO had a workforce of 1,318 employees, of which 11 percent were women. Two of the eleven members in the senior management team of DNO are female. Two of the five members of the DNO Board of Directors are female. The DNO workforce is characterised by strong cultural, religious and national diversity, with approximately 48 nationalities and 10 religious affiliations represented.

At year-end 2019, Foxtrot International had a workforce of 170 employees, of which 18 percent were women. Nationals from Côte d'Ivoire make up the majority of the workforce.

Section 172 Statement

The Board of Directors recognises that the UK Companies Act requires Directors to act in a way that promotes the success of the Group for the benefit of shareholders as a whole, with regard for:

- the likely long-term consequences of any decision;
- the interests of the Group's employees;
- the need to foster the Group's

business relationships with suppliers, customers and others;

- the impact of the Group's operations on the community and the environment;
- the desirability of the Group maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between members of the Company.

The Board of Directors has had regard to those factors with respect to each decision it takes and incorporates those values in its decisions.

Stakeholder Engagements

Details of how we have engaged with, and take into consideration, the interests of those stakeholders who are material to the long term success of the business can be found on the following pages. These stakeholders represent the key resources and relationships that support the generation and preservation of value in the Group.

Shareholders

Engagement with shareholders plays an important role throughout the Group's business, including at the Board of Directors level. It helps the Company gain a better understanding of the impact of its decisions on shareholder interests as well as gain an insight into their needs and concerns.

During 2019 we engaged with our shareholders as follows:

- Our Annual General Meeting in the UK, included a question and answer session in which the Executive Chairman entertained and answered any questions proffered by shareholders in attendance;
- The Executive Chairman and executive management made themselves available throughout 2019 to attend meetings with major shareholders at the latter's request to gain an understanding of any issues and concerns; these included meetings in Norway, and the United Arab Emirates;

- The Company published its annual financial results and half-yearly financial results and press releases as appropriate to inform shareholders of the Company's business activities;
- The Company's investor website is regularly reviewed and updated to ensure that shareholder information is current;
- The Nomination Committee solicits shareholder input year-round;
- Separately, DNO reports quarterly, half-year and annual financial results and the Executive Chairman and DNO present these results and take questions from interested parties, including DNO's shareholders. (DNO's various communications and presentations to investors are set forth at its website, www.dno.no).

The Company's conduct of its share repurchases demonstrates its commitments to treating each of its shareholders fairly and equally to the extent feasible. Thus, each shareholder was provided the same opportunity to sell shares at prices established by themselves, as described in greater detail in Note 18 of the Consolidated and Parent Company Financial Statements.

Investment Entities/Customers and Suppliers

Because of the nature of its business, the Company's most important relationships are with its Investment Entities rather than customers and suppliers, who are in turn the focus of DNO and Foxtrot International.

As reported throughout this report and the accompanying Directors' Report, the Company maintains strong engagement with DNO and Foxtrot International. Although the Company's Board of Directors as a unit does not have direct engagement with DNO and Foxtrot International employees, customers or suppliers, DNO's and Foxtrot International's engagement was monitored, influenced and approved by the Company's Executive Chairman and its Chief Operating

Officer/Chief Financial Officer. The Company's Executive Chairman serves as Executive Chairman of DNO and as Chairman of Foxtrot International. In that capacity he engages with both Investment Entities' stakeholders. He regularly meets with executive staff and employees of DNO at its offices and retains close contact with senior officials in Kurdistan. As Chairman of Foxtrot International he engages with senior management and attends regular partner and governmental meetings. The Company's Chief Operating Officer/Chief Financial Officer also serves on the DNO Board of Directors and its audit committee and through this position engages with DNO's management and staff. She also attends meetings with Foxtrot International and its partners and communicates with the Foxtrot International staff on an ongoing basis. The Managing Director of DNO, Mr. Bjørn Dale, serves on the Company's Board of Directors. Among other things, these strong and fruitful engagements contributed to the receipt of substantial cash dividends from DNO and endorsed DNO's decision to expand and diversify its assets with the Faroe acquisition.

Employees

The Company maintains a small group of employees all of whom have access to and regular interaction with executive management and the Executive Chairman. The Remuneration Committee's recommendations for executive management are reviewed and approved by the Board of Directors.

DNO maintains strong relationships with its employees, as set forth in its Annual Report and its Corporate Responsibility Highlights, which are available at its website, www.dno.no.

Community and the Environment

The Group is aware of its obligations to advance societal interests, including environmental concerns, many of which are described above. Given its structure and small footprint at the Company level, these concerns are addressed by the Investment Entities.

DNO maintains robust and active contributions to each of the communities in which it operates and has devoted substantial efforts toward diminishing the impact of its operations on the environment, as detailed in its Corporate Responsibility Report. Notably, DNO initiated and is nearing completion of the Peshkabir-to-Tawke gas gathering and injection project, which is designed to increase oil recovery rates at Tawke and eliminate gas flaring at Peshkabir. Once completed, CO₂ emissions from DNO's operated Kurdistan fields are expected to drop to around 7 kilograms per barrel, compared to an industry average of about 9 kilograms per barrel in Norway and about 18 kilograms per barrel globally.

Principal Decisions

Share Buyback

The most important decision made during 2019 was to use cash available to the Company to buy back its own Class A Shares. These are described in detail in Note 18 of the Consolidated and Parent Company Financial Statements. In that regard, the Board of Directors considered alternative uses for those funds, including possible asset purchases, loan repayments or potential dividends. The Board of Directors concluded that share buybacks were likely the most advantageous to the shareholders as they represent a means of returning capital to those deciding to remain longer term shareholders and to provide liquidity to those deciding to exit. The buybacks were structured as a reverse auction to ensure fairness between Company shareholders as provided in Section 172. Specifically, all shareholders were provided with an equal opportunity to offer to sell their shares to the Company at prices of their own election.

Decisions by DNO and Foxtrot International

Principal decisions by DNO in 2019 included its acquisition of Faroe, stepped up drilling, share repurchases and dividend distributions to shareholders. The Company's Board of Directors had no direct control over those decisions. However, those decisions were monitored, influenced and voted on by the Company's

Executive Chairman and Chief Operating Officer/Chief Financial Officer through their participation as members of the DNO Board of Directors, which is chaired by the Company's Executive Chairman. The DNO Board of Directors is charged with advancing the interests of all its shareholders equally while considering the interests of the stakeholder groups that are affected by DNO's business activities. DNO advances those goals as described in its Annual Report and its Corporate Social Responsibility Highlights, available at www.dno.no. The most important decision by Foxtrot International was to engage in the negotiations leading to extension of the duration of the gas sales and purchase agreement and the PSC amendments.

Important Events and Developments Since the End of the Financial Year

DNO Received 10 Awards in Norway's APA Licensing Round

On 14 January 2020, DNO announced that its wholly-owned subsidiary, DNO Norge AS, had been awarded participation in 10 exploration licenses, of which two are operatorships, under Norway's Awards in Predefined Areas ("APA") 2019 licensing round. Of the 10 new licenses, five are in the North Sea, two in the Norwegian Sea and three in the Barents Sea.

Foxtrot Signature of Gas Sales and Purchase Agreement and Production Sharing Contract Amendments

On 24 February 2020, the CI-27 joint venture partnership that includes Foxtrot International and the Government of Côte d'Ivoire signed amendments to their gas sales and purchase agreement and the PSC to extend the term of the agreements for 10 years until August 2034 and to increase the price of gas from the date of signature to USD 6.00 per million btu while maintaining the existing indexation formula. The take-or-pay level remains at 140 MMscfd. In connection with these amendments the CI-27 joint venture partnership will spend approximately USD 100 million on new onshore processing facilities

and pipelines to supply gas to two new power stations to be built in Côte d'Ivoire. Additional drilling of five wells is planned over the period of the extension to boost the production capacity of the license.

DNO Extraordinary General Meeting Held; Resolution Passed by Shareholders

On 28 February 2020, DNO announced that its shareholders overwhelmingly approved the resolution to cancel all 108,381,415 of its own shares held by DNO at an Extraordinary General Meeting. The cancelled shares represented 10 percent of the DNO shares issued. The Company's shareholding in DNO increased from 40.45 percent to 44.94 percent as a result.

Coronavirus

On 11 March 2020, the World Health Organisation declared that the worldwide outbreak of coronavirus had become a pandemic with cases reported in over 118 nations and territories. The spread of coronavirus and responses to it have had significant adverse impacts on individuals, families, individual nations and the world economy as a whole.

Already, spreading infections in Kurdistan have resulted in border closures. In Norway, hundreds of cases have been reported and the government has enacted restrictions on travel into the country by non-residents and on domestic movements. Various other nations have closed borders and/or instituted extensive "shelter-in-place" and other restrictions that impair the ability of workers to travel to work and of businesses to operate. The Group has taken further steps to safeguard the health and safety of its personnel, including office closures and work-from-home protocols and repatriation of staff to their home countries.

The Group cannot forecast at this time all the disruptions to and effects resulting from coronavirus and responses to it, but they will be adverse and may continue to impact the Group's financial performance and the Company's and DNO's share prices.

DNO and Foxtrot International are closely monitoring the impact of the ongoing coronavirus pandemic, including on border closures, travel restrictions and interruptions to supply chains and third-party services, among others. Operational measures have been put in place to enhance the safety of our staff, including social distancing and changes to staff rotation. DNO and Foxtrot International will continue to implement measures to minimise the adverse impact on staff, operations, liquidity and financial results.

World Oil Market Dislocations

On 10 March 2020, Saudi Arabia announced that it intended to substantially increase its production of oil and cut prices. Russia announced it too intended to increase production. These announcements resulted in a substantial drop in world oil prices. The Company cannot predict whether or when a recovery or further decline in prices will take place.

A continued substantial decline in world oil prices would likely have a substantial adverse impact on the financial results of DNO and on its assets. Significantly lower oil prices affect DNO's revenues, profitability, ability and desirability of implementing drilling plans and overall short-to-medium term prospects of the business.

Specifically, future oil price assumptions are key estimates in the Group's Consolidated and Parent Company Financial Statements and a change in these assumptions may impact the recoverable amount of the Group's oil and gas assets (increasing the risk of impairment), reserve and resource estimates, operational spend level and distribution of future dividends from its Investment Entities. Continuing low oil prices may also increase the credit risk related to the Group's trade receivables.

The significant decline in oil prices in the first quarter of 2020 is considered a non-adjusting event for the 2019 Consolidated and Parent Company Financial Statements, as the failure of Saudi Arabia and Russia to agree on cuts in oil production to help bolster price occurred in 2020.

DNO's 18 March Announcement

On 18 March 2020, DNO announced that it was taking substantial steps to mitigate the effects on its business of the coronavirus pandemic and the unprecedented conditions in the world oil market.

DNO announced a 30 percent (or USD 300 million) reduction in its 2020 budget to shore up its balance sheet; suspended most discretionary drilling and capital projects across its portfolio to focus instead on key projects in its core operating area in Kurdistan; froze all new ventures; and initiated staff reductions and entered into cost reduction negotiations with suppliers and contractors.

DNO's exploration, appraisal and development drilling campaign in Kurdistan has been scaled back, as both DNO and contractor staff movements and rotations have been impacted by border closings, quarantines and other coronavirus travel restrictions.

DNO projected that by the end of March, the number of active drilling rigs it deploys in Kurdistan will drop to two (including one workover rig) from six (two workover rigs) at the beginning of the year. Production at the Tawke and Peshkibir fields has begun to slide to below 115,000 barrels of oil per day.

DNO also announced that its ability to maintain its level of spending has also been strained by interruptions and delays to monthly payments for its oil exports from Kurdistan; at the time of DNO's announcement in March the last payment received in January covered September 2019 exports (see below; DNO Receipt of Funds from the KRG).

Finally, DNO announced that its Board of Directors has decided not to make use of the authorisation granted at its 2019 Annual General Meeting to pay dividends for first half 2020 but remained committed to the programme.

DNO Receipt of Funds from the KRG

On 1 April 2020, DNO reported receipt of USD 77.2 million as payment for

October 2019 crude oil deliveries to the export market from the Tawke license in Kurdistan. On 16 April 2020, DNO received USD 34.6 million for March 2020 crude oil deliveries to the export market from the Tawke license in Kurdistan. The funds will be shared by DNO and partner Genel Energy plc pro-rata to the companies' interests in the license. Separately, a payment of USD 5.7 million has been received net to DNO, representing three percent of gross October 2019 Tawke license revenues, as provided for under the August 2017 receivables settlement agreement with the KRG. DNO had previously received payment for August and September crude oil deliveries post year-end 2019.

DNO's Share Price Movement

DNO's share price at 31 March 2020 of NOK 2.92 was down 74.8 percent from NOK 11.57 at year-end 2019. This reflected in part the sharp decline in world oil prices and uncertainty due to the coronavirus pandemic.

Mashreq Loan Prepayment

On 19 April 2020, the Company made a prepayment of AED 18 million off its loan with Mashreq, bringing the outstanding balance of the loan to AED 27 million (USD 7.35 million).

Notwithstanding continuing uncertainties and dislocations in international markets, including oil, the Company believes it has set in motion appropriate measures to navigate these challenges and, as conditions normalise, resume value creation for our shareholders.

For and on behalf of the Board of Directors

BIJAN MOSSAVAR-RAHMANI

Bijan Mossavar-Rahmani
Executive Chairman of the
Board of Directors

30 April 2020

II. Report of the Directors

Introduction

Capital Structure

RAK Petroleum plc ("RAK Petroleum" or the "Company") is incorporated in the United Kingdom and is subject to the laws of England and Wales, including the UK Companies Act 2006 (as amended from time to time).

Currently, the share capital of the Company consists of:

- 194,448,040 Class A Shares that are listed and freely traded on the Oslo Børs and that carry one vote per share on any matters put to the shareholders at a general meeting, each with a par value of GBP 0.01 ("Class A Shares" or "Shares");
- 117,683,332 Restricted Class A Shares whose trading is restricted but which otherwise have the same voting and economic rights as Class A Shares, each with a par value of GBP 0.01 ("Restricted Class A Shares");
- 117,683,332 Class B Shares, whose trading is restricted and which have no material economic rights but two votes per share on any matters put to the shareholders at a general meeting, each with a par value of GBP 0.0000001 ("Class B Shares");
- 50,000 preference shares, each with a par value of GBP 1.00 (these non-voting shares were issued in connection with the formalities of founding the Company and the Company plans to redeem them);
- 87,488,693 Class C Shares, each with a par value of GBP 0.0000001. Class C Shares have no voting rights and no material economic rights;
- Accordingly, there are 547,498,035 votes eligible to vote on matters put to the shareholders at a general meeting;

- All shares are issued and fully paid;
- The Company's Board of Directors currently has authority to allot an additional 32,781,400 Class A Shares and will seek renewal of that authority from the shareholders at the 2019 Annual General Meeting.

Changes to the Capital Structure During the Reporting Period

On 16 January 2019 as a result of shareholders' requests to release the restrictions on their Restricted Class A Shares, 9,180,000 Restricted Class A Shares were re-designated as Class A Shares and 9,180,000 Class B Shares representing 18,360,000 votes, were transferred to the Company and cancelled.

Pursuant to authority granted by the shareholders at the Annual General Meeting held on 2 June 2018, the Company initiated a Class A Share buyback offer (the "Buyback Offer") pursuant to which it purchased 8,450,000 of its Class A Shares on 4 February 2019 which have been cancelled. To maintain their voting levels in the Company to pre-buyback levels, Mr. Mossavar-Rahmani and DNO ASA ("DNO") requested that the Company re-designate a total of 3,399,032 Restricted Class A Shares to Class A Shares. As a result, 3,399,032 Class B Shares, representing 6,798,064 votes, were transferred to the Company and cancelled.

The Company initiated a second Class A Share buyback offer pursuant to which it purchased 7,233,333 of its Class A Shares on 2 May 2019 which have been cancelled. To maintain their voting levels in the Company at pre-buyback levels, Mr. Mossavar-Rahmani and DNO requested that the Company re-designate a total of 2,909,624 Restricted Class A Shares to Class A Shares. As a result, 2,909,624 Class B Shares, representing 5,819,248 votes, were transferred to the Company and cancelled, which resulted in the capital structure set forth immediately above.

Major Interests in the Company's Shares and Voting Rights

Information provided to the Company pursuant to the Financial Conduct Authority's Disclosure Guidance and Transparency Rules ("DTR"s) is published on the Company's website and with the Oslo Børs.

Each Class A Share and Restricted Class A Share carries one vote per share on any matters put to the shareholders at a general meeting and is entitled to participate on a distribution of income or capital *pari passu* with all other Class A Shares and Restricted Class A Shares. Each Class B Share carries two votes per share on any matters put to the shareholders at a general meeting but does not carry any rights on a distribution of income or capital (other than entitlement to par value on a return of capital or redemption).

All Class A Shares are freely transferable. Restricted Class A Shares can only be transferred to certain permitted transferees set forth in the Company's Articles of Association – essentially related parties or charities. Transfers of Restricted Class A Shares to non-permitted transferees give rise to loss of Class B Share voting rights. No Class B Share may be transferred unless a corresponding number of Restricted Class A Shares held by such holder are at the same time transferred to the same permitted transferee. Holders of Restricted Class A Shares may request that the Company release the trading restrictions, which will give rise to cancellation of the associated Class B Shares.

All shareholders shall be treated on an equal basis unless there is just cause for treating them differently.

At 30 April 2020, the following information has been received or was available from holders of notifiable interests in the Company's share capital:

Shareholder's name	Class A Shares	Restricted Class A Shares	Class B Shares	Total votes	Percent of total votes	Type of interest
Bijan Mossavar-Rahmani	12,801,236	63,030,824	63,030,824	201,893,708	36.88	Indirect
RAK Gas LLC	2,070,207	18,631,871	18,631,871	57,965,820	10.34	Direct
Al Majid Investment Co (LLC)	30,000,000	-	-	30,000,000	5.35	Direct
TransAsia Gas International LLC	1,000,000	9,000,000	9,000,000	28,000,000	5.00	Direct
Massar Investments LLC	750,000	6,750,000	6,750,000	21,000,000	3.75	Direct
Treasury Shares (held by DNO)	2,675,600	13,174,137	13,174,137	42,198,011	7.71	Direct
Total Shares Outstanding	194,448,040	117,683,332	117,683,332	547,498,036	100.0	

Corporate Governance

The Company's Class A Shares have been subject to certain DTR's since listing and trading of the Company's Class A Shares on the Oslo Børs on 7 November 2014, including (in relation to corporate governance):

- DTR 4 (Period Financial Reporting);
- DTR 6 (Continuing obligations and access to information); and
- DTR 7 (Corporate Governance).

Moreover, the Company seeks to comply with the applicable legal framework for companies listed on the Oslo Børs, and endorses the Code of Practice for Corporate Governance (Norwegian: "Norsk anbefaling for eierstyring og selskapsledelse") issued by the Norwegian Corporate Governance Board, most recently revised on 17 October 2018 (the "Code"). The Code is available at www.nues.no.

The Board of Directors of the Company on 24 September 2014 adopted a corporate governance policy (the "Corporate Governance Policy") that is based on the Code and reflects the Company's commitment to sound corporate governance practices. Other than any deviations mentioned below in the overview of the Corporate Governance Policy, the Company believes its policy complies with the Code.

1. Implementation and Reporting on Corporate Governance in the Company

The Board of Directors considers the way the Company is managed to be vital to the development of the Company's value over time. The Company's Corporate Governance Policy is based on the Code and establishes a basis for good corporate governance to help ensure the greatest possible value creation over time in the best interest of the Company and its shareholders, employees and other stakeholders.

The Corporate Governance Policy contains measures that are, and will be, implemented to ensure effective management and control over the Company's activities based on the Code. It should therefore be noted that there may be other legal requirements that apply to matters described in the Corporate Governance Policy. The primary objective is to have systems for communication, monitoring and allocation of responsibility, as well as appropriate incentives, which contribute to increasing and maximising the Company's financial results, long-term success and returns to shareholders on their investments in the Company. The Company aims to have control and governance procedures that ensure equal treatment of all shareholders, thereby providing a foundation for trust.

The Board of Directors, on an ongoing basis, monitors the governance of the Company and will develop and improve the Corporate Governance Policy, as and when required. Other than any deviations mentioned below in the overview of the Corporate Governance Policy, the Company believes its policy complies with the Code.

2. Business

The fundamental objectives, strategies and risk profiles of the Group are stated in the accompanying Strategic Report. The Board of Directors reviews the objectives, strategies and risk profiles included in the Strategic Report each year and will modify them if that becomes appropriate.

Pursuant to common practice for companies incorporated in England and Wales, the Articles of Association of the Company do not include a recitation of the specific business of the Company and the Company will therefore continue to set them forth in its annual Strategic Report or Directors' Report.

3. Equity and Dividends

The Board of Directors and executive management of the Company act at all times to keep the Company's equity capital at a level that is suitable in light of the Company's objectives, strategy and risk profile.

The Company's long-term objectives include making distributions of net income in the form of dividends. The payment and level of any dividends will depend on several factors, including market outlook, cash flow, capital expenditure plans and funding requirements. These factors will be measured against the Company's need to maintain adequate financial flexibility, relevant restrictions on the payment of dividends under the laws of England and Wales and such other factors as the Board of Directors may consider relevant.

The Board of Directors' current dividend policy is further specified below under the heading "Dividends and Dividend Policy."

If there is a proposal for the Board of Directors to be given a mandate to approve the distribution of dividends, then the background of the proposal will be explained. The Company had no such proposals in 2019.

Mandates granted to the Board of Directors to increase the Company's share capital are restricted to defined purposes. If a general meeting is asked to consider a mandate to the Board of Directors for the issue of shares for different purposes, each mandate shall be considered separately by the meeting. Mandates granted to the Board of Directors are limited in time to no later than the date of the next Annual General Meeting. This also applies to mandates granted to the Board of Directors for the Company to purchase its own shares.

At the Annual General Meeting held on 2 June 2018, the Board of Directors sought and the shareholders granted a mandate for the Company to purchase its own shares through a buyback mechanism consistent with the Companies Act in an amount up to, essentially, 10 percent of the issued Share Capital of the Company. Through the mechanism of two reverse Dutch auctions treating all shareholders equally, the Company repurchased 15,683,333 of its Class A Shares at a cost of approximately USD 30 million (see section 4.3). The authority

granted was limited to the time of the next Annual General Meeting. The Board of Directors sought and the shareholders granted a similar mandate at the Annual General Meeting held on 31 May 2019 for the period until the next Annual General Meeting. The Board of Directors intends to ask the shareholders at the 2020 Annual General Meeting to renew this authority.

As stated when it announced the Buyback Offer on 21 January 2019, the Company decided to launch the Buyback Offer because, among other things, (i) its available funds exceed the near-term cash needs of its business, (ii) relatively low liquidity in the market for its shares may be hindering the ability of some shareholders to sell their shares, and (iii) it believes its shares are undervalued relative to their intrinsic value. Thus, the Buyback Offer may be seen as having provided an opportunity for some shareholders to sell their Shares and for the Company to capture value for its continuing shareholders.

The Board of Directors or its delegates may make a similar determination in the future if the Company again has funds exceeding the near-term cash needs of its business.

The Board of Directors was generally authorised at the 2019 Annual General Meeting to allot new Class A Shares in the Company or to grant rights to subscribe for or to convert any security into new Class A Shares in the Company up to a maximum aggregate nominal amount of GBP 327,814, representing approximately 10 percent of the Company's share capital.

The Board of Directors intends to ask the shareholders at the 2020 Annual General Meeting to renew this allotment authority, as the Board of Directors wishes to retain financial flexibility to grow the business by executing on its strategy of opportunistic acquisitions. The Board of Directors will also propose that it be authorised to issue new shares in connection with the Long-Term Incentive Plan (the "LTIP")

for the Company's Directors and executive management. It follows from the purposes of the proposed authorisation that the shareholders' preferential rights to subscribe to the new shares ("pre-emption rights") may be waived and that the authorisation can comprise a share capital increase against contribution in kind. The Board of Directors intends to ask the shareholders at the 2020 Annual General Meeting to renew this waiver authority as well.

4. Equal Treatment of Shareholders and Transactions with Close Associates

4.1 General Information

The rights attached to each class of the Company's Shares is described above. Apart from trading restrictions applicable to Restricted Class A Shares and Class B Shares, all shareholders are treated on an equal basis, unless there is just cause for treating them differently.

4.2 Share Issues without Pre-Emption Rights for Existing Shareholders

Any decision to waive the pre-emption rights of existing shareholders to subscribe for shares in the event of an increase in the share capital shall be justified. If the Board of Directors resolves to carry out a share issue without pre-emption rights for existing shareholders, then the justification shall be publicly disclosed in a stock exchange announcement issued in connection with the share issue. Again, the Board of Directors will seek the dis-application of pre-emption rights as to its renewed limited authority to allot shares or options at the 2020 Annual General Meeting.

4.3 Transactions in Own Shares

Any transactions the Company carries out in its own shares shall be carried out either through the Oslo Børs or at prevailing stock exchange prices if carried out in another way. If there is limited liquidity in the Company's shares, the Company shall consider other ways to ensure equal treatment of all shareholders.

The Company launched an offer to purchase certain of its own Class A Shares on 21 January 2019 which expired on 31 January 2019 resulting in the acquisition of 8,450,000 Class A Shares at NOK 15 per share and giving a total acquisition cost of approximately USD 15 million. It launched a second offer to purchase certain of its own Class A Shares on 15 April 2019 which expired on 26 April 2019 resulting in the acquisition of 7,233,333 Class A Shares at NOK 18 per share and giving a total acquisition cost of approximately USD 15 million. In order to ensure that all shareholders were treated equally to the greatest extent possible, the Company used the mechanism of a reverse Dutch auction treating all shareholders equally and provided holders of Restricted Class A Shares the opportunity to re-designate their shares and participate.

4.4 Transactions with Shareholders and Other Closely-Related Parties

The Board of Directors shall arrange for a valuation to be obtained from an independent third party in the event of a not immaterial transaction between the Company and any of its shareholders, a shareholder's parent company, members of the Board of Directors, executive management or closely related parties of any such parties. An independent valuation shall also be carried out in the event of transactions between companies within the same group where any of the companies involved have minority shareholders.

Members of the Board of Directors and executive management must notify the Board of Directors if they have a significant, direct or indirect, interest in any transaction carried out by the Company other than by virtue of their position within the Company. The Company has had a services agreement with DNO since 2011 pursuant to which it was paid USD 1.65 million in 2019. Mr. Dale, a member of the Company's Board of Directors, is the Managing Director of DNO. Mr. Mossavar-Rahmani, the Company's Executive Chairman of the Board of Directors and Ms. Watson, the Company's Chief Operating

Officer and Chief Financial Officer, are members of the DNO Board of Directors. For further details, see Note 26 to the Consolidated and Parent Company Financial Statements.

5. Shares and Negotiability

The Company does not impose any limits on a party's ability to own, trade or vote the Company's Class A Shares, traded on the Oslo Børs. There are restrictions on trading and ownership of the Company's Restricted Class A Shares and Class B Shares as described above under "Share Capital." There are no limits on voting the Restricted Class A Shares and Class B Shares.

The trading restrictions on Restricted Class A Shares and Class B Shares arise from the original capital structure of the Company and rights granted to legacy shareholders who acquired Restricted Class A Shares in the reorganisation of RAK Petroleum PCL in 2014.

6. Annual General Meetings

The Board of Directors takes reasonable steps to ensure that the Company's shareholders can participate in all Annual General Meetings.

Among other things, the Board of Directors will ensure that:

- The notice and any supporting documents and information on the resolutions to be considered at the Annual General Meeting are available on the Company's website no later than 21 clear days prior to the date of the Annual General Meeting;
- The resolutions and supporting documentation, if any, are sufficiently detailed, comprehensive and specific to allow shareholders to understand and form a view on matters that are to be considered at the Annual General Meeting;
- The registration deadline, if any, for shareholders to participate at the Annual General Meeting is set as closely as practically

possible to the date of the Annual General Meeting and pursuant to the provisions in the Company's Articles of Association; and

- Shareholders are able to vote on each individual matter, including on each individual candidate nominated for election. Shareholders who cannot attend the Annual General Meeting in person are given the opportunity to vote. The company designs the form for the appointment of a proxy to make voting on each individual matter possible and nominates a person who can act as a proxy for shareholders, usually the Chairman of the Board of Directors.

Pursuant to common practice for companies incorporated in England and Wales, the Articles of Association of the Company stipulate that the Chairman of the Board of Directors shall chair any Annual General Meetings at which he or she is present. Therefore, there are no arrangements made for election of an independent chairman for the Annual General Meetings, nor are all Directors required to attend. This deviates from the Code. The Chairman of the Nomination Committee attends if matters within the scope of the Nomination Committee are being considered by the meeting.

7. Nomination Committee

As provided for in the Company's Articles of Association, at the 2015 Annual General Meeting, the shareholders voted to create a Nomination Committee with no more than three members to be appointed by shareholders at an Annual General Meeting for a period up to two years; the duties are to propose candidates for election to the Board of Directors and to the Nomination Committee and to propose the fees to be paid to such members. The members elected to the Nomination Committee at the 2019 Annual General Meeting were Arya Bolurfrushan, Dr. Øystein Noreng and Mr. Mossavar-Rahmani, who was elected as chairman. Mr. Mossavar-Rahmani is the Executive Chairman of the Board of Directors and a member of executive management, which

deviates from the Code for reasons detailed below.

The members' remuneration (including the chairman) was set at USD 5,000 in 2019 for one year. Each of their terms of service will expire at the close of the 2020 Annual General Meeting. The Annual General Meeting will stipulate guidelines for the duties of the Nomination Committee, elect the chairperson and members of the Nomination Committee and determine the Committee's remuneration. The majority of the Nomination Committee should be independent of executive management and the Board of Directors and only one member should be a member of the Board of Directors.

Shareholders wishing to communicate with the Nomination Committee may initiate contact by email to toner@rakpetroleum.uk. Anyone proposing a candidate should communicate with the Nomination Committee no later than 45 days before the scheduled date of the Annual General Meeting. More detailed biographies of the Nomination Committee members may be found on the Company's website.

The Nomination Committee justifies to the Annual General Meeting separately why it is proposing any candidate.

8. Board of Directors Composition and Independence

The composition of the current Board of Directors ensures that it attends to the common interest of all shareholders and meets the Company's need for expertise, capacity and diversity. The Board of Directors functions effectively as a collegial body independently of any special interests. Three of the five shareholder-elected members of the Board of Directors are independent of the Company's executive management and material business contacts and three of the five members of the Board of Directors are independent of the Company's major shareholder(s). For these purposes, a major shareholder means one that owns 10 percent or more of the Company's issued and outstanding shares or votes, and independence shall entail that there are no circumstances or relations

that may be expected to be able to influence independent assessments by the person in question.

The Executive Chairman of the Board of Directors is a member of executive management, which deviates from the Code. The Board of Directors does not otherwise include executive management, although that is common in English companies. The reason for the deviation is set forth below.

The Annual General Meeting shall elect the Chairman of the Board of Directors so long as the applicable laws do not require that the Board of Directors must appoint the Chairman.

The terms of office for members of the Board of Directors are not longer than two years at a time and are set forth below, as is their background, qualifications and independence as well as their attendance record.

The members of the Board of Directors are encouraged to own shares in the Company. Their ownership is detailed in the accompanying Remuneration Report.

9. The Work of the Board of Directors

9.1 General

The Board of Directors provides details of its Committees in this Annual Report. It is not common for companies incorporated in the United Kingdom to issue instructions for the Board of Directors and executive management as such instructions would be governed by the articles of association of the companies. Therefore, there is no need for the Company to have separate instructions for the Board of Directors and executive management. The Board of Directors issues limits on the authorities of executive management to act on behalf of the Company. The Board of Directors ensures that members of the Board of Directors and executive management make the Company aware of any material interests that they may have in items to be considered by the Board of Directors.

9.2 Audit Committee

The Board of Directors has an Audit Committee as a preparatory and advisory committee. The duties and composition of the Audit Committee are as set out in DTR 7.1. The Board of Directors has adopted Terms of Reference for the Audit Committee that are available on the Company's website. The entire Board of Directors does not act as the Company's Audit Committee.

An Audit Committee Report that includes details of its members is set out on pages 32 to 34 of this Annual Report.

9.3 Remuneration Committee

The Board of Directors has appointed a Remuneration Committee as a preparatory and advisory committee for the Board of Directors to ensure a thorough and independent preparation of matters relating to the compensation of executive management. Members of the Remuneration Committee are restricted to members of the Board of Directors who are independent of the Company's executive management, other than the Executive Chairman of the Board of Directors. The reason for this deviation is detailed below. The activities and composition of the Company's Remuneration Committee are detailed in its report which is set out on pages 35 to 40 of this Annual Report.

9.4 Annual Evaluation

The Board of Directors annually evaluates its efforts in the previous year.

10. Risk Management and Internal Controls

The Board of Directors acts to ensure that the Company has in place sound internal controls and systems for risk management that are appropriate with respect to the extent and nature of the Company's and its wholly-owned subsidiaries' activities. Internal controls and the systems for risk management encompass the Company's corporate values and ethical guidelines, including guidelines for corporate social responsibility. The Company influences the internal

controls and risk management for the Investment Entities and its wholly-owned subsidiaries through its positions on their boards of directors. DNO separately endorsed the Code of Practice for Corporate Governance issued by the Norwegian Corporate Governance Board.

The Board of Directors acknowledges its responsibility for establishing and maintaining adequate internal controls and risk management systems to safeguard shareholders' investments and the Company's assets and it reviews these areas annually. Such systems can be designed to manage, but not eliminate entirely, the risk of failure to achieve business objectives. They can provide reasonable, but not absolute, assurances that the Company's assets are safeguarded and that the financial information used within the business for external reporting is reliable.

The Company and its wholly-owned subsidiaries maintain a centralised financial reporting system where transactions and balances are recognised and recorded in accordance with prescribed accounting policies and procedures and all material and relevant information is reviewed and reconciled as part of the annual reporting process. The Investment Entities maintain their own separate centralised financial reporting systems. The Company to a great extent relies on audited financial reporting that it timely receives from the Investment Entities and reviews internally. In addition, Ms. Watson, the Company's Chief Operating Officer and Chief Financial Officer, is a member of the DNO Board of Directors and its audit committee, Mr. Mossavar-Rahmani is Executive Chairman of DNO and Chairman of the Foxtrot International Board of Directors, and Mr. Dale, a member of the Company's Board of Directors, is Managing Director of DNO. In conjunction with DNO, the Company has adopted procedures seeking to ensure that its Board of Directors has an adequate basis on which to fulfil its reporting responsibilities regarding DNO.

The Board of Directors' Audit Committee also assures that the Company's Auditors have received full cooperation from the financial reporting functions at both Investment Entities and from the Company's executive management.

The Company has in place policies which limit the authority and ability of any single member of executive management or member of the Board of Directors to dispose of or transfer Company assets and two approvals, including that of the General Counsel, are required to transfer or dispose of any of the Company's interest in DNO, thus limiting the risks of improper disposition.

The Board of Directors is regularly updated on the Company's financial situation, evaluates whether the Company's capital and liquidity are adequate in terms of the risk from, and scope of, the Company's activities and shall immediately take the necessary action if it is demonstrated at any time that the Company's capital or liquidity is inadequate.

11. Remuneration of the Board of Directors

The remuneration of the Board of Directors is to be decided by the shareholders at an Annual General Meeting of the Company at least every two years and shall reflect the duties, expertise and time commitment of the Board of Directors, including the level of activity on any committees, as well as the complexity of the Company's activities.

Other than the Executive Chairman, who is also compensated as a member of executive management, remuneration for members of the Board of Directors is not linked to the Company's performance and the Company does not grant share options to members of the Board of Directors.

Members of the Board of Directors and/or companies with which they are associated shall not take on specific assignments for the Company in addition to their appointment as a

member of the Board of Directors. If they do nonetheless take on such assignments, this should be disclosed to the full Board of Directors. The remuneration for such additional duties shall be approved by the Board of Directors.

Any remuneration in addition to normal Board of Directors' fees will be specifically identified in the Annual Report.

12. Remuneration of Executive Management

The Board of Directors has established guidelines for the remuneration of executive management. These guidelines are contained in the accompanying Remuneration Policy, which includes the main principles applied in determining the salary and other remuneration of executive management. The Remuneration Policy was approved by the shareholders at the 2015 Annual General Meeting. Performance-related remuneration of executive management in the form of share options, bonus programmes or the like shall ensure convergence of the financial interests of executive management and the shareholders.

The Remuneration Policy provides that performance-related remuneration shall be subject to an absolute limit.

The Remuneration Policy will be a separate appendix to the agenda for the Annual General Meeting. The Remuneration Policy must be approved by a vote at an Annual General Meeting and is valid for three years. As a result, the Board of Directors obtained approval for the renewed policy at the 2018 Annual General Meeting and intends to propose to the shareholders that they approve of the renewed policy at the 2021 Annual General Meeting.

13. Information and Communications

13.1 General Information

The Company provides timely and precise information to its shareholders and the financial markets in general

(through the Oslo Børs). Such information is provided in the form of annual reports, half-year reports and press releases and notices to the Oslo Børs in accordance with what is deemed necessary and suitable.

The Company publishes an annual financial calendar with an overview of the dates of important events such as the release of the Annual Report, the Annual General Meeting, release of Half-Year Report and payment of dividends, if applicable.

Unless exceptions apply and are invoked, the Company discloses inside information on an ongoing basis. In all circumstances, the Company shall provide information about decisions by the Board of Directors and the Annual General Meeting concerning dividends, amalgamations, mergers/demergers or changes to the share capital, the issuing of subscription rights and convertible loans and shall disclose all agreements of major importance that are entered into by the Company and closely-related parties in accordance with applicable laws and regulations.

13.2 Information to Shareholders

The Company has discussions with important shareholders to enable the Board of Directors to develop a balanced understanding of the circumstances and focus of its shareholders. Such discussions are conducted in compliance with the provisions of applicable laws and regulations and the principle of equal treatment of all shareholders regarding material information.

Information to the Company's shareholders is published on the Company's website at the same time that it is sent to the shareholders.

14. Take-Overs

14.1 General

In the event the Company becomes the subject of a take-over offer, the Board of Directors shall ensure that the Company's activities are not unnecessarily interrupted. The Board of Directors shall also ensure

that the shareholders have sufficient information and time to assess the offer.

14.2 Main Principles for Action in the Event of a Take-Over Offer

In the event of a take-over offer, the Board of Directors shall abide by the principles of the Code, recognising the duty the Board of Directors carries for ensuring that the interests of the shareholders are safeguarded. In particular:

- The Board of Directors shall ensure that the take-over offer is made to all shareholders and on the same terms;
- The Board of Directors shall not undertake any actions intended to give certain shareholders or other parties an unreasonable advantage at the expense of other shareholders of the Company; and
- The Board of Directors shall not institute measures which have the intention of protecting the personal interests of its members.

The Board of Directors shall not attempt to prevent or impede the take-over offer unless this has been decided by a general meeting in accordance with applicable laws.

If a take-over offer is made for the Company's shares, the Board of Directors shall issue a statement evaluating the offer and making a recommendation as to whether the shareholders should accept such offer. If the Board of Directors finds itself unable to give a recommendation to the shareholders on whether to accept the offer, it shall explain the reasons for this. In the statement, the Board of Directors shall make it clear whether the views expressed are unanimous, and if this is not the case, explain the reasons why certain members of the Board of Directors have excluded themselves from the statement.

The Board of Directors shall consider whether to arrange for a valuation of a take-over offer from an independent expert. However, if any member of the

Board of Directors, or close associates of such member, or anyone who has recently held a position but has ceased to hold such a position as a member of the Board of Directors, is either the bidder or has a particular personal interest in the offer, the Board of Directors must arrange for an independent valuation. This shall also apply if the bidder owns 10 percent or more of the Company's issued and outstanding shares or votes. Any such valuation shall either be enclosed with the Board of Directors' statement or reproduced or referred to in the statement.

14.3 The Group's Shareholding in DNO Could Delay, Defer or Prevent a Merger, Equity Offering, Takeover or Other Business Combination Involving the Company

With its 44.94 percent stake, following the purchase cancellation by DNO of 10 percent of its shares, the Company is currently DNO's largest shareholder.

An acquisition by a Company shareholder or a third party, alone or together with its close associates, of shares in the Company representing more than 50 percent of the votes in the Company, will trigger on the acquirer an obligation to make a mandatory offer on the remaining shares in DNO. Such a mandatory offer obligation could delay, deter or prevent a merger, equity offering, takeover or other business combination involving the Company. Moreover, any person acting in concert with the Company to purchase additional shares directly in DNO will trigger an obligation to make a mandatory offer on the remaining shares in DNO.

15. Auditors

The Audit Committee's Report is included in this Annual Report and details the Board of Directors' activities regarding the Company's Auditors.

The Board of Directors ensures that the Company's Auditors submit the main features of the plan for the audit of the Company to the Audit Committee for approval each year.

The Auditors participate in at least two meetings of the Audit Committee: one that addresses their audit plan and one at which they report the results of their audit of the annual accounts. They also attend a portion of one meeting of the Board of Directors with an opportunity to address the members. The Auditors report on any material changes in the Company's accounting principles and key aspects of the audit, comment on any material estimated accounting figures and report all material matters on which there has been disagreement between the Auditors and the executive management of the Company.

The Auditors annually report to the Audit Committee any observations regarding the Company's internal control procedures, including any identified weaknesses and proposed improvements, which come to their attention during the audit.

The Board of Directors, through its Audit Committee, holds a meeting with the Auditors at least once a year at which no representative of executive management of the Company is present. If the Audit Committee deems it appropriate, or there is disagreement with the Audit Committee, the Board of Directors holds a meeting with the Auditors without the presence of executive management other than the Executive Chairman of the Board of Directors.

The Audit Committee has specified that executive management can use the Auditors for specific assignments other than auditing only with the approval of the Audit Committee.

The Audit Committee's Report contains the remuneration paid to the Auditors, including details of the fee paid for auditing work and any fees paid for other specific assignments.

Composition of the Board of Directors

The Company's Board of Directors has five members:

- Bijan Mossavar-Rahmani (Executive Chairman);
- Amir Ali Handjani;
- Ahmed Jamal Jawa;
- Bjørn Dale; and
- Sultan Al Ghurair

All the members of the Company's Board of Directors were elected for terms that will expire at the 2020 Annual General Meeting.



Bijan Mossavar-Rahmani

Executive Chairman

Mr. Mossavar-Rahmani has been Executive Chairman of the Board of Directors since the Company's founding in June 2013, having served as Executive Chairman of the Board of Directors and Chief Executive Officer of RAK Petroleum PCL since May 2010. His role as Executive Chairman of the Company encompasses the management responsibilities of the Chief Executive Officer, including oversight of the Company's strategy and operations.

Mr. Mossavar-Rahmani also holds the position of Executive Chairman of the DNO Board of Directors and Chairman of the Foxtrot International Board of Directors.

In addition to his industry positions, Mr. Mossavar-Rahmani is active in philanthropy, education and the arts. He is a member of Harvard University's Global Advisory Council and Trustee of the New York Metropolitan Museum of Art where he chairs the audit committee. He has published more than 10 books on global energy markets and was decorated Commandeur de l'Ordre National de la Côte d'Ivoire for services to the energy sector of that country. He is a graduate of Princeton (AB) and Harvard Universities (MPA). Mr. Mossavar-Rahmani is a U.S. citizen and resides in the United States.



Amir Ali Handjani

Director

Mr. Handjani has been a member of the Board of Directors since 2013, having served as a member of the RAK Petroleum PCL Board of Directors since 2010 and also as its General Counsel from 2006 to 2010. Mr. Handjani holds a B.A. degree from Boston College and a Juris Doctor degree from the Northeastern University Law School. He is a member of the District of Columbia and New Jersey Bar Associations. Mr. Handjani is a U.S. citizen and resides in the United Arab Emirates.



Ahmed Jamal Jawa

Director

Mr. Jawa became a member of the Board of Directors at the time of listing, having served as a member of the RAK Petroleum PCL Board of Directors since 2009. He serves as chairman, chief executive officer and president of Starling Holding Ltd, a family office and a global investment group that deals with private equity and direct investments worldwide.

Mr. Jawa serves on the board of Emaar Properties and is the chairman of its investment committee and member of its risk committee. He is chairman of Emaar Turkey and a board member of Emaar Misr in Egypt where he is chairman of the audit committee and a member of its investment committee. Mr. Jawa also serves on the board of Emaar; The Economic City in Saudi Arabia where he is a member of the nomination & remuneration committees. Mr. Jawa is also a board member of Emaar Development, publicly traded on the Dubai financial market, and is a member of the investment and nomination committees.

He has been recognised as one of the 'Global Leaders of Tomorrow' by the World Economic Forum in Davos. Mr. Jawa holds a Masters in Business Administration and a Bachelor of Science in Business Administration, both from the University of San Francisco. Mr. Jawa is a Saudi Arabian citizen and resides in the United Arab Emirates.

**Bjørn Dale***Director*

Mr. Dale is the Managing Director of DNO. Mr. Dale holds a Master of Law degree from the University of Oslo and an Executive Master of Business Administration degree in financial management from the Stockholm School of Economics. Mr. Dale joined the Board of Directors in 2015. Mr. Dale is a citizen and resident of Norway.

**Sultan Al Ghurair***Director*

Mr. Al Ghurair became a member of the Board of Directors in June 2016. He is a member of the board of directors of Al Ghurair Investment LLC, one of the largest diversified industrial enterprises in the Middle East. An experienced oil and gas and finance executive, he serves as chief executive officer of Al Ghurair Energy DMCC, vice chairman of Libyan Emirates Refinery Company and a director of Pakistan-based TransAsia Refinery Ltd. Mr. Al Ghurair is also a director of Abdulla Al Ghurair Holding and of Mashreq Bank, where he is a member of the audit committee. He holds a finance degree from Suffolk University in the United States. He is a citizen and resident of the United Arab Emirates.

The Company's registered office address at Elder House, St Georges Business Park, Brooklands Road, Weybridge, Surrey KT13 0TS, United Kingdom, serves as the business address (service address) for the members of the Board of Directors in relation to their directorships of the Company.

The Company believes that Messrs. Jawa, Handjani and Al Ghurair are independent of the Company's executive management and material business contacts and of the Company's major shareholders.

Directors' Indemnities

The Company entered into agreements with each of the members of the Board of Directors and each member of executive management identified below which provide them with broad indemnity, including defence costs, against third party claims. In addition, the Company maintains Directors and Officers Liability Insurance that provides broad protection to the members of the Board of Directors and executive management of the Company.

The Company has no pension scheme for which any of the Directors serve as trustee. As such, there are no agreements or arrangements indemnifying any Director of the Company against liability incurred in connection with the Director's activities as trustee of any such scheme.

Conduct of Business

Dividends and Dividend Policy

The Company's objective is to generate competitive total returns for its shareholders. The Company's dividend policy is balanced between adequate cash reserves, growth opportunities for the Company, financial flexibility, appropriate debt levels, capital appreciation in the Company's shares and cash returns for shareholders.

Declaration and payment of a dividend by the Company requires shareholder approval by ordinary resolution and cannot exceed any recommendation by the Board of Directors. The level of dividends, if any, recommended by the Board of Directors is guided by cash available, current earnings, market prospects, current and future capital expenditure commitments, financing obligations and availability and investment opportunities. In deciding whether to propose a dividend and in determining the dividend amount (or of any other distribution or share buyback), the Board of Directors considers legal restrictions regarding the distribution of dividends as governed by its Articles of Association and the Companies Act.

Since the Company was incorporated on 17 June 2013 no dividends have been distributed to the Company's shareholders and there is no assurance that a dividend will be proposed or declared in any year. At the date of this report, the Company

has never declared any dividends and the Board of Directors has not proposed any dividend for 2019 or 2020.

However, the Company distributed to shareholders approximately USD 30 million by means of two Class A Share buybacks that completed on 4 February 2019 and 2 May 2019. These buybacks were conducted as a reverse Dutch auction treating all shareholders equally and resulted in the purchase and cancellation of 15,683,333 Class A Shares. The Company considers that there are various material considerations as to whether a distribution of capital by share buyback is preferable to payment of dividends and these considerations change over time.

The DNO Board of Directors assesses on an annual basis whether dividend payments to DNO shareholders should be proposed for approval at DNO's Annual General Meeting. This assessment is based on planned capital expenditure, cash flow projections and DNO's objective of maintaining a strong credit profile and robust capital ratios.

The Company has received three dividend payments from DNO in 2018 and 2019. There can be no guarantee as to whether DNO will issue any dividends in the future. Payment of a dividend by DNO is a material factor in the Board of Directors' consideration whether to recommend that the Company pay a dividend or otherwise distribute further capital to the shareholders.

Anti-Corruption Policy and Manual

The Board of Directors believes that it is essential that the Company uphold the highest standards of conduct. The Company is committed to operate in accordance with ethical, responsible and sound business principles and comply with all applicable laws and regulations. The Company specifically does not permit or tolerate engaging in any form of corruption or bribery. To this end, the Board of Directors on 24 September 2014 adopted an Anti-Corruption Policy and an Anti-Corruption Manual that explains and elaborates the content and implications

of the Company's policies in relation to anti-corruption and anti-bribery matters. DNO enforces its own anti-corruption policy. DNO has a policy of zero tolerance for corruption, bribery and other illegal or inappropriate business conduct. DNO adheres to a strict and comprehensive conflict of interest policy, trade sanctions and other policies focused around a code of conduct to ensure regulatory and company expectations are met. A whistleblowing procedure is also in place.

Insider Trading Policy

The Company strictly prohibits trading of its shares while in possession of inside information and to that end the Board of Directors in September 2014 adopted an Insider Trading Policy that establishes general rules and procedures to assist the Company and the insiders in complying with the applicable legislation regarding insider trading and to prevent acts or omissions which may expose the insiders or the Company to criticism or undermine the general trust in the Company or its shares. DNO enforces its own insider trading policy.

Audit Committee

The Company has, in line with the recommendations in the Code and Rule 7 of the DTRs, appointed, with effect from the first day of listing, an Audit Committee consisting today of three members: Messrs. Jawa (chairman), Handjani and Dale. The members of the Audit Committee will serve while they remain members of the Board of Directors, or until the Executive Chairman of the Board of Directors decides otherwise or they wish to retire.

The primary purpose of the Audit Committee is to assist the Board of Directors with the discharge of its responsibilities in relation to financial reporting, including reviewing the Company's annual Consolidated and Parent Company Financial Statements and half-year Consolidated Financial Statements and accounting policies external audits and internal controls, reviewing and monitoring the scope of the annual audit and the extent of the non-audit work undertaken by external auditors, advising on the appointment of external auditors

and reviewing the effectiveness of the internal controls and anti-fraud systems in place within the Company. The Audit Committee met in 2019 to review and approve the proposed audit plan and then to review the Company's Consolidated and Parent Company Financial Statements for the period ending 31 December 2018 and the processes and procedures involved with the Company's finances, met with the Company's Auditors independently of executive management and issued its report with regard to those Consolidated and Parent Company Financial Statements. It also reviewed the Company's unaudited half-year Consolidated Financial Statements. The Audit Committee also met in January 2020 to review and approve the proposed audit plan and in March 2020 and April 2020 to review the Company's proposed Consolidated and Parent Company Financial Statements for the period ending 31 December 2019 and the processes and procedures involved with the Company's finances, met with the Company's Auditors independently of executive management and issued its report with regard to those Consolidated and Parent Company Financial Statements.

The Audit Committee's Report for the period ending 31 December 2019 appears on pages 32 to 34 of this Annual Report.

Remuneration Committee

Pursuant to the Company's Articles of Association, the Board of Directors established a Remuneration Committee with two members, currently Mr. Mossavar-Rahmani and Mr. Al Ghurair. The Remuneration Committee met in 2019 to prepare the Remuneration Report for 2018, which was approved by vote of the shareholders at the 2019 Annual General Meeting of the Company. The Remuneration Committee also met in 2019 with regard to the salaries of executive management and the potential award of bonuses to executive management for 2019 and again in 2020 to prepare the 2019 Remuneration Report, which appears after this Directors' Report. Both members attended these meetings. The Remuneration Committee's report for 2019 appears on pages 35 to 40 of this Annual Report.

Compliance with the Corporate Governance Code

The Company's corporate governance regime follows the specific provisions of the Code with the following exceptions:

Deviation from section 5: "Shares and Negotiability". As described above, the Company has three classes of voting shares. The Class A Shares are listed on the Oslo Børs and are freely tradeable. There are restrictions on trading and ownership of the Company's Restricted Class A Shares and Class B Shares as described above under "Share Capital." There are no limits on voting the Restricted Class A Shares and Class B Shares. These limitations were adopted in connection with the Company's 2014 Initial Public Offering and the desire to implement trading restrictions on existing shareholders during a six-month period following the listing. Owners of Restricted Class A Shares may request release of the restrictions, which results in cancellation of the associated Class B Shares.

Deviation from section 8: "Corporate Assembly and Board of Directors' Composition and Independence". The Executive Chairman of the Board of Directors, Mr. Mossavar-Rahmani, has served actively in executive management of the Company since inception and is compensated accordingly, including with share awards under the LTIP. In addition, he is the chairman of the Remuneration Committee and will in that position influence the remuneration received by other members of executive management. It is customary United Kingdom practice for public limited companies such as the Company to have both non-executive and executive directors. Mr. Mossavar-Rahmani holds more than 24 percent of the shares and more than 36 percent of the voting interests in the Company. He is an experienced executive who has served as chairman or chief executive officer of multiple international oil and gas companies for the past 30 years. He was previously Chairman of the Board of Directors and Chief Executive Officer of RAK Petroleum PCL and intimately familiar with its activities and stakeholders, and as Executive Chairman of the Board of Directors of DNO and Chairman of Foxtrot International he is similarly intimately familiar with the operations of both principal assets of the Group. He is therefore uniquely qualified to lead the executive team managing these investments. It is also natural and appropriate -- even expected -- for him to chair the Board of Directors, as he has by far the largest financial stake in its considerations and decisions. Because of his shareholding, there is no danger that as a member of both executive management and the Board of Directors he will not protect and promote the interests of the shareholders. That is his primary interest.

Deviation from section 6: "General Meetings". As is common for public limited companies established under English law, the Articles of Association of the Company provide that the Chairman of the Board of Directors shall, as a general rule, chair the Annual General Meetings. Directors are not required to attend Annual General Meetings as there has never been an occasion justifying that expense.

Deviation from section 7: "Nomination Committee". The chairman of the Nomination Committee, Mr. Mossavar-Rahmani, is a member of the Board of Directors and of executive management and may offer himself for re-election to the Board of Directors. The reasons supporting this are set forth above.

Executive Management

The members of executive management and their shareholdings at the date of this report are:

Name and position	Nature of interest	Shares held ¹ at 30 April 2020
Bijan Mossavar-Rahmani Executive Chairman Employed since 2008	Class A Shares	12,801,236
	Restricted Class A Shares	63,030,824
	Class B Shares	63,030,824
		(36.88 percent of votes)
Kevin J. Toner Managing Director and General Counsel Employed since 2013	Class A Shares	29,500
	Restricted Class A Shares	265,500
	Class B Shares	265,500
		(0.15 percent of votes)
Shelley M. Watson Chief Operating Officer and Chief Financial Officer Employed since 2017	Class A Shares	358,214
	Restricted Class A Shares	-
	Class B Shares	-
		(0.06 percent of votes)
Lisa K. McPhillips Chief of Staff and Deputy General Counsel Employed since 2018	Class A Shares	-
	Restricted Class A Shares	-
	Class B Shares	-
		(0.00 percent of votes)

The Company's registered office address at Elder House, St Georges Business Park, Brooklands Road, Weybridge, Surrey KT13 0TS, United Kingdom, serves as the business address (service address) for the members of executive management in relation to their employment with the Company.

¹ Includes shares held by a Special Purpose Vehicle.

Brief Biographies of the Members of Executive Management

Bijan Mossavar-Rahmani

Executive Chairman

See information page 24



Kevin J. Toner

Managing Director and General Counsel

Mr. Toner became a senior strategic advisor to RAK Petroleum PCL before it began acquiring shares in DNO in October 2009. He joined RAK Petroleum PCL as General Counsel in August 2013. He previously practiced law in the United States for more than 25 years and was recognised as one of New York City's Super Lawyers from 2006-2011. Most recently he was a partner at the US law firm of Patton Boggs, where he was co-head of the antitrust practice. Prior to that, Mr. Toner was a co-founding partner of the New York office of Heller Ehrman LLP, where he served in various management roles including co-head of the litigation department. Mr. Toner's practice focused on representing boards, board committees, executive management and institutions in matters regarding corporate governance, complex commercial disputes, antitrust and securities litigation and internal investigations. He has been a member of the executive committee of the antitrust section of the New York State Bar Association. Mr. Toner earned a B.S.E. in mechanical and aerospace engineering from Princeton University (1974) and his law degree, magna cum laude, from Fordham University School of Law (1986), where he graduated first in his class.



Shelley M. Watson

Chief Operating Officer and Chief Financial Officer

Ms. Watson joined the Company as Chief Operating Officer as of 1 February 2017 and Chief Financial Officer as of 1 May 2017.

Ms. Watson has extensive experience in the oil and gas industry in the Middle East, most recently as the General Manager of the Company's predecessor, RAK Petroleum PCL, until the summer of 2014. She joined RAK Petroleum PCL as Group Commercial Director in 2007 and previously held commercial and operational management roles with Novus Petroleum and Indago Petroleum. Ms. Watson holds a First Class Honours degree in chemical engineering and a Bachelor of Commerce degree from the University of Melbourne.

Additional directorships or management positions during the last five years: Board of Directors of DNO ASA and member of its Audit Committee (2010-to date).



Lisa K. McPhillips

Chief of Staff and Deputy General Counsel

Ms. McPhillips joined the Company as Chief of Staff and Deputy General Counsel in November 2018.

Ms. McPhillips is a lawyer with extensive international experience in energy (oil and gas), and general commercial and corporate law. She has worked in the Middle East, Norway, the United Kingdom and Australia.

Ms. McPhillips was previously employed by DNO ASA as Senior Legal Counsel and as Deputy General Manager of DNO Yemen AS. Ms. McPhillips has worked in London at various financial firms including BlackRock and the Bank of New York. She holds a Bachelor of Law/Bachelor of Business (International Business (Major), Accounting (extended)) from the Queensland University of Technology.

Attendance at Board and Committee Meetings

The Company's Board of Directors met twice during 2019. All Directors attended each of the Company's Board of Directors meetings in 2019 except that Mr. Jawa participated in the April 2019 meeting by proxy. The Remuneration Committee met twice in 2019 and all members attended. The work of the Audit Committee is described in its accompanying report.

Charitable Donations

The Company made no charitable donations during 2019.

Political Donations

Although authorised to do so under certain circumstances, neither the Company nor any of its wholly-owned subsidiaries made any political donations during 2019. Neither of the Investment Entities made any political donations during 2019.

Important Events and Developments Since the End of the Financial Year

The events and developments since 31 December 2019 which the Board of Directors believes were important to the Company's business are detailed in the Strategic Report above in Section I.

Likely Future Developments Affecting the Company's Business

The likely future developments that may affect the Company's business are discussed in the Strategic Report above in Section I.

Financial Risk Management Objectives and Policies

The Company, and the Investment Entities, do not use hedging strategies and, as a general matter, do not regard their mandate as encompassing hedging out of the risks associated with oil and gas investments.

Exposure to Price Risk, Credit Risk, Liquidity Risk and Cash Flow Risk

The Company's activities and those

of its Investment Entities expose it to a variety of financial risks. The Company's Board of Directors provides certain guidance in managing such risks, particularly as relates to credit and liquidity risk. All material borrowing arrangements require approval from the Board of Directors and the Company and its Investment Entities do not currently use any derivative financial instruments to manage financial risks. The key financial risks and the Group's major exposures are as detailed in Note 27 to the Consolidated and Parent Company Financial Statements.

Going Concern Treatment

Taking account of the Group's present position and principal risks, the Board of Directors has a reasonable expectation that the Group and the Company will be able to continue in operation and meet their liabilities as they fall due for the period at least 12 months following approval of the Consolidated and Parent Company Financial Statements.

The Company acts as a holding company and currently holds interests in two oil and gas companies (the "Investment Entities"): DNO ASA ("DNO") and Foxtrot International LDC ("Foxtrot International"). At 30 April 2020, the Company indirectly owned 44.94 percent of the total outstanding shares of DNO and indirectly owned 33.33 percent of Foxtrot International. The Company and its wholly-owned subsidiaries have no direct production or expenditure in oil and gas assets. All production and expenditure in oil and gas assets is carried out through the Investment Entities, DNO and Foxtrot International. DNO is a Norwegian exploration and production company listed on the Oslo Børs (Oslo Stock Exchange). The Company is one of many shareholders and has no obligation to fund DNO's activities and expenditures. DNO has in place debt facilities and would be expected to be able to access funds if necessary through the usual suite of capital raising options available to any listed company. Foxtrot International is a privately-held company with two shareholders responsible for funding

any expenditure requirements not covered by revenue generated in its operations. Foxtrot International sends monthly dividend payments from revenue generated from the sale of gas, oil and condensate and sends monthly cash calls to fund anticipated expenditure. Foxtrot is accounted for as a Joint Venture using the equity method of accounting. DNO is accounted for as a subsidiary due to the application of IFRS 10 regarding de-facto control, even though the Company is treated equally to other DNO shareholders and has no obligation to fund DNO's expenditures.

Reflecting that the DNO Group is only consolidated as a result of de-facto control, in assessing the Group's going concern the Board of Directors made separate consideration of the DNO Group and the Company, its wholly owned subsidiaries and Foxtrot International.

Company, wholly owned subsidiaries and Foxtrot International

The Board of Directors conducted a review for the period up to end December 2022 for the cash flow of the Company, its wholly owned subsidiaries and Foxtrot International, which was felt to be an appropriate period because forecasting beyond three years is likely to be inaccurate given oil price volatility and other uncertainties.

In making its determination, the Board of Directors considered (i) the approved budget for 2020 expenditures at Foxtrot International, (ii) forecasted cash flows from Foxtrot International, (iii) the timing and amount of the Company's existing and potential obligations to repay outstanding indebtedness, (iv) forecasted general and administrative expenses for the Company and its wholly-owned subsidiaries and (vi) the likelihood of DNO dividends. In this regard, the Company benefits from Foxtrot International cash flows that are not substantially dependent upon world oil prices.

The underlying assumptions were stress tested and reviewed in the context of the Group's liquidity and the principal risks of the regions and industry in which it operates and with regard to the risks set out in the Principal Risks section above. No dividends are assumed from DNO in the base case or stress testing analysis following DNO's announcement that it had cancelled its March 2020 dividend in response to the oil price drop and coronavirus pandemic. Reduced dividend revenue from Foxtrot International was analysed at a level of 25 percent, 50 percent and 100 percent reduction and opportunities for the reduction of expenditure were considered.

The Board of Directors noted that the Company's going concern conclusion is not changed even under extreme assumptions with no revenue from either Foxtrot International or DNO during the next 12-month period.

DNO Group

The Board of Directors noted that for the purposes of the DNO Annual Report and Accounts published on 18 March 2020, the DNO Board of Directors concluded after its own analysis that the going concern basis of preparation was warranted for DNO and took note of (i) DNO's exceptionally low reported lifting costs, (ii) financing arrangements that DNO has in place, (iii) DNO's substantial proven and probable producing oil reserves under existing arrangements that permit cash flow generation covering the forecast period and (iv) DNO's ability to reduce investment expenditure and its announcements made in this regard in March 2020.

For the Consolidated Financial Statements of the Group, the going concern assessment for the DNO Group was reviewed in detail by the Board of Directors for the period up to end December 2021. A base case oil price of USD 30 per barrel Brent in 2020 and USD 40 per barrel Brent in 2021 was assumed. Stress testing of the cash flow was carried out at

varying oil price assumptions (USD 20 per barrel in 2020 and USD 30 per barrel in 2021) and disruption to receipt of oil revenues in Kurdistan. The bond covenants and reserved based lending covenants were also reviewed with forecast minimum cash, equity and EBITDAX (earnings before interest, tax, depreciation, amortisation and exploration expense) compared to the covenant limits throughout the going concern time period under both the base case and stress test case. The equity covenant is most sensitive under a severe downside but there remains forecast headroom under the stress test case over the relevant going concern period.

The assessment includes a number of mitigations to protect liquidity as reflected in DNO's 18 March announcement which the Board of Directors considers are realistic.

In making these assessments the Board of Directors noted the uncertainty caused by the ongoing coronavirus pandemic and its effect on global markets, including (in conjunction with the effects of OPEC+ disputes) oil price. This uncertainty increases the difficulty of forecasting future cash flow.

Based on its assessment of this analysis, the Board of Directors has a reasonable expectation that the DNO Group will be able to continue in operation and manage its liabilities as these fall due over the 12-month period to April 2021.

Research and Development Activities

The Company does not engage in meaningful research and development activities.

Existence of Branches Outside the United Kingdom

During 2019, the Company had no branches outside the United Kingdom within the meaning of the Companies Act.

Greenhouse Gas Emissions

The Company does not combust fuel or operate facilities that directly emit greenhouse gases, nor is it responsible for facilities that do so using the financial control approach to account for Greenhouse Gas Emissions ("GGE"). During 2019, the Company had no owned transport vehicles. During 2019 the Company rented office spaces in Dubai, New York and Ras Al Khaimah. It was responsible and billed separately for electricity consumption in Dubai, but not Ras Al Khaimah or New York. Thus, the Company's only GGE are indirect emissions based on its level of electricity consumption. Based on its consumption and emission data provided in its monthly bills by the Dubai Electricity & Water Authority, the Company's cumulative 2019 GGE in the Dubai office was 144 kg of CO₂.

In light of these circumstances, the Company cannot say with clarity or certainty the most meaningful intensity ratio to be used for assessment of its performance. Expressed as a function of the Number of Relevant Employees using the office with measured GGE, the Intensity ratio is:

2018: 0.1 tonnes/1 = 0.1T/Relevant Employee.

2019: 0.1 tonnes/1 = 0.1T/Relevant Employee.

Given the limited scope of GGE for which the Company is responsible, the Board of Directors does not believe that GGE disclosures are meaningful or material.

During 2019 DNO had greenhouse gas emissions of 639,200 tonnes of CO₂ equivalent, up from 417,000 tonnes in 2018. In 2019 Foxtrot International had greenhouse gas emissions of 36,843 tonnes of CO₂ equivalent.

Disclosure of Information to the Auditors

So far as each Director is aware, there is no relevant material information of which the Company's Auditors are unaware. Each Director has taken all steps that ought to have been taken as a Director to make himself aware of any relevant material audit information and to establish that Ernst & Young LLP are aware of that information.

Auditors

The Company anticipates that a resolution to reappoint Ernst & Young LLP as Auditors will be put to the shareholders at the 2020 Annual General Meeting. Various matters regarding the Auditors and their compensation are included in the accompanying Audit Committee Report.

For and on behalf of the Board of Directors

BIJAN MOSSAVAR-RAHMANI

Bijan Mossavar-Rahmani

Executive Chairman of the
Board of Directors

30 April 2020

III. Audit Committee Report

The Audit Committee of RAK Petroleum plc ("RAK Petroleum" or the "Company") was established upon the listing of the Company and now includes three members: Ahmed Jawa, Amir Ali Handjani and Bjørn Dale. Mr. Jawa, the Audit Committee's chairman, has recent relevant financial experience, including service on the audit committees of other publicly listed corporate entities. None of the members are presently involved in the management of the Company, and at least two of the members are independent of the Company and its executive management.

The Board of Directors adopted detailed terms of reference in 2014 that set out the Audit Committee's areas of responsibility and authority. A copy of those terms of reference is available on the Company's website.

The Audit Committee monitors the integrity of the financial statements of the Company and the Group, including its annual and half-yearly reports and any other formal announcement relating to its financial performance. In particular, the Audit Committee reviews and challenges, if necessary:

- The consistency of, and any changes to, significant accounting policies both on a year-on-year basis and across the Company and the Group;
- The methods used to account for significant or unusual transactions where different approaches are possible;
- Whether the Company and the Group has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external Auditors;
- The clarity and completeness of disclosure in the Company's financial reports and the context in which statements are made; and
- All material information presented with the Consolidated and Parent Company Financial Statements, such as the business review and the corporate governance statements relating to the audit and to risk management.

If the Audit Committee is not satisfied with any aspect of the proposed financial reporting by the Company, it shall report its views to the Board of Directors and in appropriate cases, in the Annual Report.

The Audit Committee relies on information and support from the Company's executive management to enable it to carry out its responsibilities. In addition, its terms of reference authorise the Audit Committee to obtain information from any employee of the Company and to engage and obtain advice from independent advisers at the Company's expense, if the Audit Committee determines that is necessary or appropriate.

The Audit Committee met in January 2019 to review and approve the proposed audit plan and scope for the audit of the Consolidated and Parent Company Financial Statements for the year ended 31 December 2018 and in April 2019 to review, among other tasks, the adequacy of the proposed 2018 Consolidated and Parent Company Financial Statements, proposed disclosures in the Annual Report and the processes and procedures by which these were generated and audited and to review the reporting of the Auditors on their audit. All members attended both meetings except that Mr. Jawa participated in the April 2019 meeting by proxy. In September 2019 the Audit Committee also reviewed and approved the Consolidated Financial Statements included in the Company's Half-Year Report, along with the other members of the Board of Directors. All members attended. The Audit Committee met again in January 2020 to review and approve the proposed audit plan and scope and in March 2020 and April 2020 to review the adequacy of the proposed 2019 Consolidated and Parent Company Financial Statements, proposed disclosures in the 2019 Annual Report and the processes and procedures by which these were generated and audited and to review the reporting of the Auditors on their audit. All members attended all meetings, as did representatives of the Company's Auditors and executive management.

In April 2019 and March 2020 the Audit Committee met with the Auditors both with and outside the presence of executive management.

Significant Issues in Relation to the Consolidated and Parent Company Financial Statements

The significant issues considered and addressed by the Audit Committee in relation to the 2019 Consolidated and Parent Company Financial Statements were:

- The Audit Committee reviewed the Company's treatment of DNO ASA ("DNO") as a controlled subsidiary and its conclusion that based on all the facts and circumstances; the Company has de facto control over DNO, as defined by IFRS 10. As set forth in Notes 2 and 3 of the Consolidated and Parent Company Financial Statements for the year ended 31 December 2016, the decision to account for the Group's interest in DNO using the equity method was a matter of critical and significant judgement. Upon re-examination of the factors that influenced these decisions and following discussion with a Review Group of the Financial Reporting Council, the Company decided that DNO's financial results should be consolidated as a subsidiary in the Group's Annual Report for the year ended 31 December 2017. Following a further review, the Audit Committee was satisfied that this accounting treatment adopted by the Group remains appropriate. As required by IFRS 10, the Audit Committee will continue to monitor the Company's judgement in this regard on a regular basis.
- With respect to impairment testing, the Audit Committee reviewed the reported value of the principal assets of the Group as part of the year-end process. The Audit Committee reviewed, assessed and tested executive management's judgements

regarding the assessment of impairment of assets, including oil and gas assets and goodwill and discussed and considered the Auditors' views on the issues. Following the review, the Audit Committee was satisfied that the Group had not made an impairment adjustment to the value of its investment in DNO and had made an impairment reversal of USD 5.4 million to the value of its investment in Mondoil Enterprises LLC and that the assets are otherwise appropriately reported.

- The Audit Committee also examined and reviewed the basis for the going concern treatment adopted in the Consolidated and Parent Company Financial Statements in the 2019 Directors' Report and concluded that the Company's going concern conclusion was well supported and appropriate.
- The Audit Committee reviewed the audited and published financial statements of DNO with particular reference to the impairment review of the principal assets as part of the year-end process, the revenue recognition criteria for revenue received from the Kurdistan region of Iraq, the treatment of DNO's acquisition of Faroe Petroleum plc as a controlled entity now part of the DNO Group and DNO's going concern conclusion. The Company performed its own impairment analysis of DNO's major asset, which was reviewed by the Audit Committee. The Company reviewed and stress tested DNO's going concern conclusion which was reviewed by the Audit Committee. Although the Audit Committee does not have access to internal DNO documents in its assessment of the DNO financial statements, it adopted procedures in conjunction with DNO seeking to ensure that it and the other members of the Board of Directors have an adequate basis on which to fulfil their reporting responsibilities regarding DNO. Ms.

Watson, the Company's Chief Operating Officer and Chief Financial Officer, is a member of the DNO Board of Directors and its audit committee, Mr. Mossavar-Rahmani, the Company's Executive Chairman, is Executive Chairman of DNO and Mr. Dale, a member of the Audit Committee, is Managing Director of DNO. In that respect, the Audit Committee relies heavily on representations of Ms. Watson and Messrs. Mossavar-Rahmani and Dale and the work of the Company's Auditors (who have access to certain DNO internal financial information) to ensure that it has an adequate basis for reliance on the audited financial statements of DNO.

Internal Audit Function

As part of its year-end review process, the Audit Committee again assessed whether the Company should create a dedicated internal audit function. Because of the nature of its business, the principal financial results of the Company occur at the Investment Entity level. To a great extent, preparation of the Consolidated and Parent Company Financial Statements involves appropriate reporting of the results of the Investment Entities, which are subject to their own internal controls. The incorporation of those results into the Consolidated and Parent Company Financial Statements is subject to internal scrutiny as well as annual external audit and the Company's Auditors review practices and procedures at the Investment Entities to assess reliability. Executive management is personally involved in the appropriate treatment of any material transactions at the Company level and that treatment is also subject to annual external audit. Because there is annual external audit of all the matters most material to the Consolidated and Parent Company Financial Statements and given the small number of employees and the relatively small scale of operations at the Company level, the Audit Committee has concluded that the current arrangement is appropriate and a cost/benefit analysis does not support the need for a dedicated internal audit function at this time. During 2017, the

Company updated its internal controls processes which incorporates a level of independent monitoring of activities within the existing finance staff. During 2018, Ms. McPhillips joined the Company to provide additional support and monitoring of the Company's activities. The Audit Committee will regularly review this assessment. DNO has a full-time internal auditor monitoring the controls procedures and processes within DNO and carrying out internal audits as determined by DNO's audit committee and executive management.

Assessment of the External Audit Process

The Company's Auditors for 2019 were Ernst & Young LLP (London) assisted by Ernst & Young entities resident in other locations where the Investment Entities are headquartered. Ernst & Young LLP has audited the Company since 2014.

The Audit Committee met with Ernst & Young LLP both with executive management and outside the presence of executive management and sought to assure itself that:

- The audit plan was designed and adequate to assure there are no material misstatements in the Consolidated and Parent Company Financial Statements;
- Executive management has fully cooperated with Ernst & Young LLP in implementing the audit plan;
- Ernst & Young LLP had received adequate cooperation from the relevant financial reporting functions of each of the Investment Entities;
- Ernst & Young LLP has the requisite expertise, experience, qualifications and resources to complete the audit;
- All material accounting issues had been resolved to the satisfaction of Ernst & Young LLP;
- Ernst & Young LLP had the opportunity to advise of any

deficiencies in the Company's internal processes;

- Ernst & Young LLP was objective and independent from executive management of the Company and any non-audit services provided by Ernst & Young LLP or its network of firms to the Company or the Investment Entities were not such as would compromise its independence.

The Company paid fees of USD 0.66 million to Ernst & Young LLP and its international affiliates in 2019 for services related to the audit period ended 31 December 2018, further details of which can be found in the Notes to the Consolidated and Parent Company Financial Statements in Section VII.

Generally, non-audit services have been limited to services closely connected to the external audit or to projects that require a detailed understanding of the Company's finances (e.g., accounting matters for the listing prospectus, taxation, company structuring). The Audit Committee adopted a policy that any material non-audit services to be provided by Ernst & Young LLP or its network of firms to the Company or its wholly-owned subsidiaries require the approval of the Audit Committee. In addition, any non-audit service to be carried out by DNO's auditors for DNO requires DNO to notify the Company's Audit Committee in advance.

The Audit Committee also conferred separately with executive management regarding the effectiveness and cooperation of Ernst & Young LLP. The Audit Committee concluded that (i) Ernst & Young LLP is objective and independent and has the requisite expertise, experience, qualifications and resources, (ii) Ernst & Young LLP's audit plans and procedures were adequate to assure that there are no material misstatements in the Consolidated and Parent Company Financial Statements, and (iii) Ernst & Young LLP should be reappointed as the Company's Auditors for 2020.

"Speak Up" Arrangements

The Audit Committee has direct access to all the members of executive management and has assured executive management of their ability to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters and the Audit Committee directed the General Counsel to assure other staff of that opportunity.

Other Compliance Issues

The Audit Committee inquired of the Company's General Counsel as to any reported matters involving wrongdoing or compliance or risk issues not otherwise addressed in the Consolidated and Parent Company Financial Statements and concluded these matters were adequately disclosed.

For and on behalf of the Audit Committee

AHMED JAMAL JAWA

Ahmed Jamal Jawa

Chairman of the Audit Committee

30 April 2020

IV. Directors' Remuneration Report

The Directors' Remuneration Policy of RAK Petroleum plc ("RAK Petroleum" or the "Company") was submitted to and approved by the shareholders for a three-year period in a binding vote at the 2015 Annual General Meeting held on 25 June 2015 and was effective from that date. It was resubmitted to shareholders and received their binding approval for an additional three-year period at the 2018 Annual General Meeting. The Director's Remuneration Report for 2018 was approved by the shareholders at the 2019 Annual General Meeting and this Report for 2019 will be submitted to the shareholders for an advisory vote at the 2020 Annual General Meeting.

The Remuneration Committee

The Board of Directors established the Remuneration Committee in December 2014 as a preparatory and advisory committee to ensure thorough and independent preparation for decisions to be taken on remuneration-related policies and decisions.

Remuneration Philosophy

The Company's approach is to have a remuneration philosophy that is sufficiently flexible to enable it to pay appropriate remuneration packages such that suitable high-calibre individuals can be attracted and retained. Given the international environment in which the Company operates, it is essential that the approach to remuneration enables the Company to compete within the global oil and gas investment business. It is a policy of the Company to offer executive management competitive remuneration based on current market standards. Both cash and share-based incentive arrangements are linked to delivery of the Company's key goals. This will give the Company the best opportunity of delivering on its business strategy.

Overview of the Year

The Remuneration Committee decided to continue to hold salaries of executive management at the 2015 levels for 2020. The Remuneration Committee awarded cash bonuses or other incentive compensation to executive management for the year 2019, as more fully described in the attached report.

Looking Forward

The following pages of this Remuneration Report contain the Company's remuneration policy and explain how that policy is implemented. The remuneration package is designed to incentivise executive management and the Company's employees to drive performance in line with the business strategy, and to align their interests with those of shareholders.

Directors' Remuneration Report

The yearly report on remuneration has been prepared in accordance with Part 3 of Schedule 8 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, as amended.

Items 2-3 and 5-8 of this Directors' Remuneration Report contain audited information.

In addition to the members of the Board of Directors, the Company has also included in this remuneration report the remuneration details of Kevin Toner, the Managing Director and General Counsel, Shelley Watson, the Chief Operating Officer and Chief Financial Officer and Lisa McPhillips, the Chief of Staff and Deputy General Counsel, to present a complete picture of the remuneration provided to executive management².

² Executive management for 2019 includes Messrs. Mossavar-Rahmani and Toner and Mmes. Watson and McPhillips. Only Mr. Mossavar-Rahmani is on the Board of Directors and is therefore an executive Director. Mr. Toner, Mmes. Watson and McPhillips are members of executive management but do not serve on the Board of Directors. As the Executive Chairman of the Board of Directors, Mr. Mossavar-Rahmani is the Company's Chief Executive Officer.

1. Remuneration Committee

The Remuneration Committee comprises Bijan Mossavar-Rahmani (chairman) and Sultan Al Ghurair.

The Remuneration Committee met in March 2019 to prepare and review the Remuneration Report for 2018, as published in the Annual Report and Accounts for 2018. Mr. Toner materially assisted the Remuneration Committee in preparation of that Remuneration Report but he did not participate in any discussions or deliberations concerning his own compensation.

The Remuneration Committee met in December 2019 and considered:

- The base salaries of executive management;
- Grants of cash bonuses or specific awards under the Long-Term Incentive Plan (the "LTIP"); and
- Remuneration policies and practices across the Company.

At that time, the Remuneration Committee decided to continue the freeze of base salaries at 2015 levels and to withhold the grant of any LTIP awards for 2019 in light of the Company's share price development.

The Remuneration Committee awarded cash bonuses to executive management amounting to approximately 20 percent of base salary for 2019 performance, to be paid in the first half of 2020. These awards are discretionary on the part of the Remuneration Committee and are the only aspects of remuneration in 2019 in that category.

The Remuneration Committee met in March 2020 to prepare and review this Remuneration Report for 2019. Mr. Toner materially assisted the Remuneration Committee in preparation of this Remuneration Report but he did not participate in any discussions or deliberations concerning his own compensation. All members attended all 2019 meetings of the Remuneration Committee.

2. Single Total Figure on Remuneration: Executive Management

The following table sets out the total remuneration for executive management for the years ended 31 December 2019 and 31 December 2018 expressed in USD.

Executive management	Financial year	Base salary (including fees)	Taxable benefits	Annual bonus	Long-term incentive plan	Pension related benefits	Total
Bijan Mossavar-Rahmani	2019	1,718,500 ³		177,083	-		1,895,583
	2018	1,745,500 ⁴		-	-		1,745,500
Kevin J. Toner	2019	650,000	-	135,417	-	-	785,417
	2018	650,000	-	-	-	-	650,000
Shelley M. Watson	2019	450,000	42,750	93,750	-	-	586,500
	2018	450,000	42,750	112,500	-	-	605,250
Lisa K. McPhillips	2019	350,000	-	72,917	-	-	422,917
	2018	39,936 ⁵	-	-	-	-	39,936

Base salary (including fees) reflects total amount of salary and any fees paid to or receivable in the year in respect of qualifying services as a member of the Board of Directors or for other services (including service as Executive Chairman of DNO ASA ("DNO") and member of its board committees in the case for Mr. Mossavar-Rahmani). Taxable benefits reflect the gross value of all taxable benefits (or benefits that would be taxable in the United Kingdom if the individual was resident in the United Kingdom). Annual bonus reflects total amount of bonuses so paid or receivable for the financial year. No awards under the LTIP were granted in the reporting period or through the date of this report and are therefore not reported here.

The annual bonus and LTIP awards are considered as variable compensation because they vary from year-to-year and are at the discretion of the Remuneration Committee.

Additional disclosures in respect of the single figure are shown in the table below.

³ Includes a base salary of USD 850,000 and Director's fees of USD 50,000 and Nomination Committee fees of USD 5,000 plus USD 813,500 in connection with Mr. Mossavar-Rahmani's service as the Executive Chairman of DNO and member of its board committees. The decrease in DNO board member fees is due to exchange rate effects.

⁴ Includes a base salary of USD 850,000 and Director's fees of USD 50,000 and Nomination Committee fees of USD 5,000 plus USD 840,500 in connection with Mr. Mossavar-Rahmani's service as the Executive Chairman of DNO and member of its board committees.

⁵ Ms. McPhillips began her employment in late November 2018.

2.1 Benefits

The Company did not offer pension entitlements to executive management in 2018 or 2019 except as required by employment law in the country of location of the employee. Nor did it offer benefits such as health cover, car or fuel allowance, taxable travel or relocation costs, except as set out below expressed in USD.

	2019	2018
Kevin J. Toner		
Health cover:	34,539	32,287
Life insurance premiums:	-	-
Shelley M. Watson		
Health cover:	8,409	8,741
Life insurance premiums:	1,690	1,810
Lisa K. McPhillips		
Health cover:	18,757	1,409
Life insurance premiums:	-	-

2.2 Annual Bonus

The Remuneration Committee awarded cash bonuses to executive management amounting to USD 479,167 for 2019 performance, to be paid in the first half of 2020. Bonuses of USD 112,500 were awarded for 2018 with payment in 2018.

2.3 Details of Awards Made Under the LTIP

The Company made no awards under the LTIP in 2018 and 2019 or to date in 2020.

3. Single Total Figure Remuneration: Non-Executive Directors

The following table sets out the remuneration received by the non-executive members of the Board of Directors from the Company during the financial year expressed in USD.

Non-executive director	Financial year	Board of Directors fee	Total
Zalmay M Khalilzad	2019	-	-
	2018	37,500	37,500
Amir Ali Handjani	2019	50,000	50,000
	2018	50,000	50,000
Ahmed J. Jawa	2019	50,000	50,000
	2018	50,000	50,000
Bjørn K. Dale	2019	50,000	50,000
	2018	50,000	50,000
Sultan Al Ghurair	2019	50,000	50,000
	2018	50,000	50,000

As approved by shareholders at the 2019 Annual General Meeting, each member of the Board of Directors received USD 50,000 per annum. Ambassador Khalilzad was paid pro-rata for his service reflecting his resignation in September 2018.

Non-executive Directors were not paid any additional salary, bonus, LTIP, pension benefits or other taxable benefits during the financial year. Members of the Board of Directors are reimbursed, or the Company pays, for travel and overnight housing in respect of meetings when appropriate. The Company also reimburses appropriate business expenses incurred in carrying out the Company's business.

4. Remuneration of the Executive Chairman of the Board of Directors Compared to Employees Generally

The percentage change in the remuneration of Mr. Mossavar-Rahmani between 2018 and 2019 compared to that of all employees within the Company are shown below. The figures do not include DNO as DNO has its own Remuneration Committee determining employee compensation.

	Base salary (percent change from 2018)	Annual cash bonus (percent change from 2018)
Bijan Mossavar-Rahmani	0	100 (no bonus 2018)
Average for all employees	0.1	72.1

5. Payments Made to Past Directors

No payments were made during 2019 to past Directors.

6. Payments for Loss of Office

No payments were made to Directors for loss of office during the financial year.

7. Scheme Interests Awarded During the Financial Year

No Scheme Interests were awarded during 2019.

8. Statement of Executive Management's Shareholding and Share Interests

The Company does not currently operate formal shareholding guidelines.

8.1 Executive Management

	Nature of interest	Shares held at 30 April 2020
Bijan Mossavar-Rahmani ⁶	Class A Shares	12,801,236
	Restricted Class A Shares	63,030,824
	Class B Shares	63,030,824
		(36.88 percent of votes)
Kevin J. Toner ⁷	Class A Shares	29,500
	Restricted Class A Shares	265,500
	Class B Shares	265,500
		(0.15 percent of votes)
Shelley M. Watson ⁸	Class A Shares	358,214
	Restricted Class A Shares	-
	Class B Shares	-
		(0.07 percent of votes)

8.2 Non-Executive Directors

	Nature of interest	Shares held at 30 April 2020
Amir Ali Handjani ⁹	Class A Shares	2,500,000
	Restricted Class A Shares	-
	Class B Shares	-
		(0.46 percent of votes)
Ahmed Jamal Jawa ¹⁰	Class A Shares	5,000,000
	Restricted Class A Shares	-
	Class B Shares	-
		(0.91 percent of votes)
Bjørn Dale ¹¹	Class A Shares	-
	Restricted Class A Shares	-
	Class B Shares	-
		-
Sultan Al Ghurair ¹²	Class A Shares	-
	Restricted Class A Shares	-
	Class B Shares	-
		-

⁶ Represents shares held by a Special Purpose Vehicle as to which Mr. Mossavar-Rahmani has a beneficial ownership interest.

⁷ Represents shares held by a Special Purpose Vehicle as to which Mr. Toner has a beneficial ownership interest.

⁸ Represents shares held by a Special Purpose Vehicle as to which Ms. Watson has a beneficial ownership interest.

⁹ Represents shares held through AAH Holding Limited, wholly-owned by Mr. Handjani.

¹⁰ Represents shares held by Starling Global Finance Ltd, of which Mr. Jawa is chairman and CEO.

¹¹ Mr. Dale is the Managing Director of DNO, which holds 2,675,600 Class A Shares, 13,174,137 Restricted Class A Shares and 13,174,137 Class B Shares (7.71 percent of votes). Mr. Dale disclaims ownership or control of these shares.

¹² Mr. Al Ghurair is a director of the parent company of TransAsia Gas International LLC which holds 1,000,000 Class A Shares, 9,000,000 Restricted Class A Shares and 9,000,000 Class B Shares (5.00 percent of votes). Mr. Al Ghurair disclaims ownership or control of these shares.

9. Relative Importance of Spend on Pay

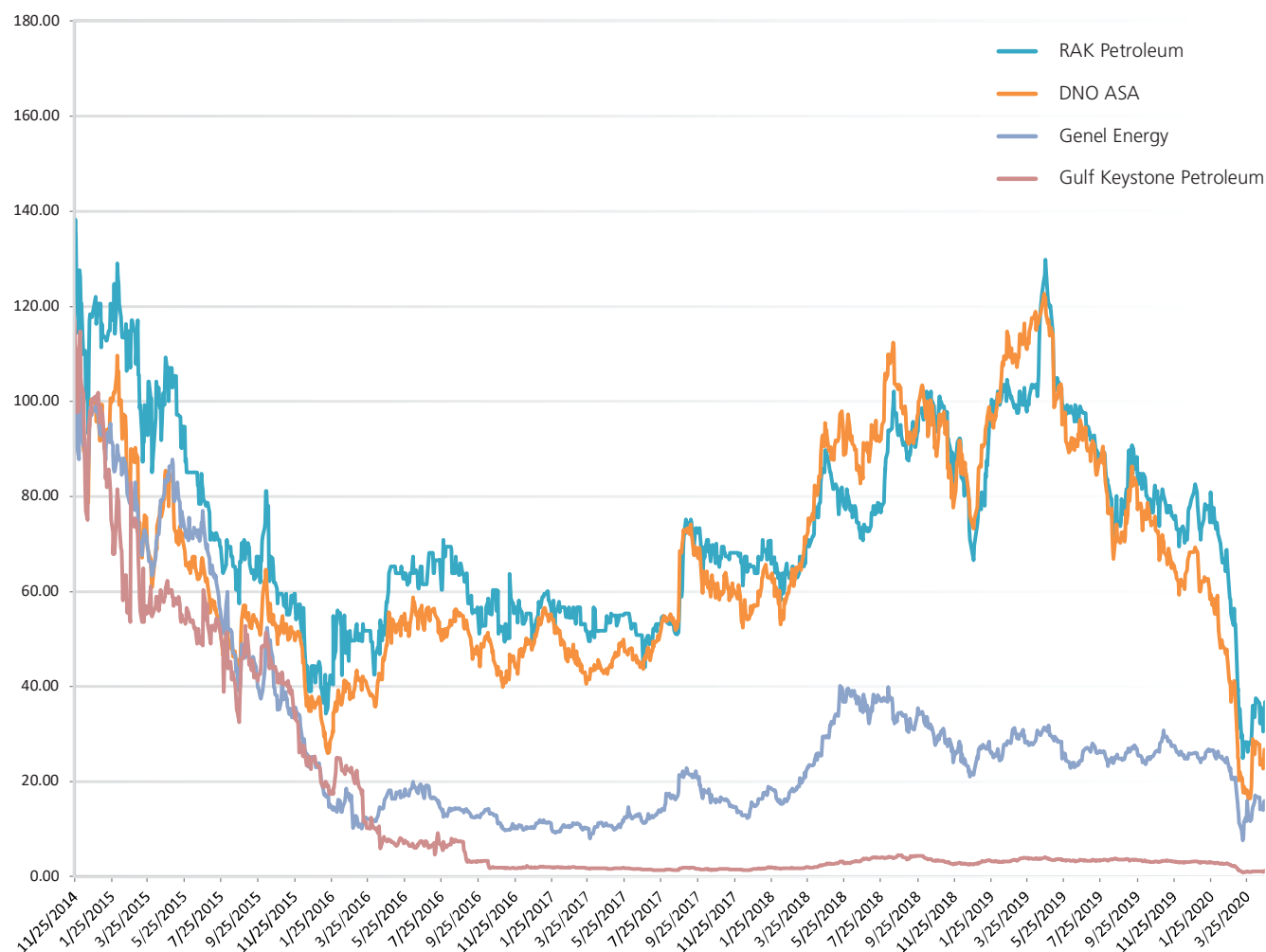
The following table sets out the total amounts spent in 2018 and 2019 on remuneration for all employees within the Company (including executive management), the attributable profit for each year and the distributions received by shareholders. The figures do not include DNO as DNO has its own Remuneration Committee determining employee compensation.

USD million	2019	2018	Percent change
Attributable profit	30.9	166.4	(81.4)
Dividends paid	-	-	N/A
Share buyback	30.0	-	N/A
Total Company spend on remuneration	3.1	2.4	29.2

Because the Company did not pay dividends in 2018 or 2019 and did not buy back shares in 2018, there is no meaningful basis for the comparison. The total Company spend on remuneration represents total staff costs from continuing operations.

10. Performance Graph

This graph shows the cumulative Total Shareholder Return of the Company from listing until April 2020 relative to shares of DNO, Genel Energy plc and Gulf Keystone Petroleum Limited in the respective listing currencies. This group has been chosen because it provides a relevant peer group with comparable idiosyncratic geopolitical and commodity risk, notably in the Kurdistan region of Iraq.



11. Historic Remuneration of the Executive Chairman of the Board of Directors

The following table details information about the remuneration of the Executive Chairman of the Board of Directors of the Company over the last three years. Amounts paid by DNO for Mr. Mossavar-Rahmani's service as the Executive Chairman of DNO and member of its board committees are included in full.

Year	Executive Chairman of the Board of Directors	Single figure of total remuneration including LTIP award	Annual bonus payout against maximum (percent)	Awards vested long-term performance awards against maximum (percent)
2019	Bijan Mossavar-Rahmani	USD 1,895,583	13.3	N/A
2018	Bijan Mossavar-Rahmani	USD 1,745,500	0	N/A
2017	Bijan Mossavar-Rahmani	USD 1,692,100	0	N/A

12. Implementation of Remuneration Policy in 2018

The Remuneration Committee's most recent proposed Remuneration Policy was approved by the Company's shareholders at the 2018 Annual General Meeting and therefore was effective from June 2018. Details of the policy are set forth in Section V of the Annual Report and Accounts.

13. Statement on Voting Regarding Remuneration at the Annual General Meeting

At the 2019 Annual General Meeting the Company's shareholders approved the Directors' Remuneration Report by an advisory vote with 100.0 percent of the votes cast in favour of the Report.

Details of the shareholders' votes on these matters at the 2020 Annual General Meeting will be included in next year's Directors' Remuneration Report.

For and on behalf of the Board of Directors

BIJAN MOSSAVAR-RAHMANI

Bijan Mossavar-Rahmani

Executive Chairman of the Board of Directors

30 April 2020

V. Directors' Remuneration Policy

Introduction

The Directors' Remuneration Policy contains the information required to be set out as the Directors' remuneration policy for purposes of Part 4 of Schedule 8 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, as amended by the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2013.

This Directors' Remuneration Policy was approved by the shareholders at the 2018 Annual General Meeting of RAK Petroleum plc ("RAK Petroleum" or the "Company") and therefore was effective from June 2018.

The Directors' Remuneration Policy applies in respect of all executive management appointed to the Board of Directors (executive Directors) and non-executive Directors.

The Remuneration Committee will keep the policy under review to ensure that it continues to promote the long-term success of the Company by giving the Company the best opportunity to deliver on its business strategy.

It is the Remuneration Committee's intention that the Directors' Remuneration Policy be put to shareholders for approval every three years, as required by applicable law, unless there is a need for proposed changes to the policy to be approved at an earlier date. Accordingly, the policy was put to the shareholders for approval at the 2018 Annual General Meeting and will next be put to the shareholders for approval at the 2021 Annual General Meeting.

The Company aims to provide sufficient flexibility in the Directors' Remuneration Policy for unanticipated changes in compensation practices and business conditions to ensure the Remuneration Committee has appropriate discretion to retain and incentivise its top executives and manage its business. The Remuneration Committee reserves the right to make any payments that may be outside the terms of this Directors'

Remuneration Policy, where the terms of that payment were agreed before the policy came into effect, or before the individual became an executive or non-executive Director of the Company.

Maximum caps are provided to comply with the required legislation and should not be taken to indicate a present intention to make payments at that level. All monetary amounts are shown in USD, unless indicated otherwise.

1. Remuneration Policy: Board of Directors

1.1. Expenses

Expenses reasonably and wholly incurred in the performance of the role of Director of the Company are reimbursed or paid for directly by the Company, as appropriate, and may include any tax due on the expense. Directors are entitled to broad indemnification by the Company pursuant to an indemnification agreement entered into with each Director and are covered by the Company's Directors and Officers' Liability Insurance Policy. Directors may receive professional advice in respect of their duties with the Company that will be paid for by the Company. The non-executive Directors do not participate in the Company's annual bonus or Long-Term Incentive Plan (the "LTIP") awards. They do not receive pension benefits. Pursuant to the Corporate Governance Code, remuneration of the non-executive Directors cannot be linked to the Company's performance and the Company shall not grant options to members of the Board of Directors, other than to the Executive Chairman. If any non-executive Director takes on a specific assignment for the Company in addition to the Director's appointment as a member of the Board of Directors, the Board of Directors must approve the fees of such additional duties.

1. Remuneration Policy Table: Board of Directors

Component	Purpose and link to strategy of the Company	Operation	Maximum opportunity	Performance measures
Fees	<p>To provide an appropriate reward to attract and retain high-calibre individuals with the relevant skills, knowledge and experience.</p> <p>Executive management who serve as members of the Board of Directors receive this fee for their service on the Board of Directors in addition to their base salary.</p>	<p>Directors receive a standard annual fee, which is paid on a quarterly basis.</p> <p>Additional fees may also be paid to recognise the work performed by members of any committees set up by the Board of Directors.</p> <p>Fees are reviewed on an annual basis but are not necessarily increased at each review.</p> <p>The remuneration of the Directors is a matter for the entire Board of Directors to consider and decide upon, subject to shareholder approval.</p>	<p>The maximum standard annual fee paid to any individual is USD 150,000. The current fee is USD 50,000.</p> <p>The maximum additional fees for committee or committee chair duty is USD 50,000. The Company pays a fee for the Nomination Committee members.</p> <p>Fees are set at a rate that takes into account:</p> <ul style="list-style-type: none"> • market practice for comparable roles; • the time commitment and duties involved; and • the need to attract and retain the high quality of individuals sought by the Company. 	None.
Travel fees	To compensate Directors for costs of attending Board of Directors meetings.	Directors receive payment for their travel and accommodation expenses when attending Board of Directors meetings. These payments are generally not considered to be taxable benefits.		None.

2. Remuneration Policy: Executive Management

2.1 Performance Measures

(a) Annual Bonus

The performance measures for executive management, including executive Directors, consists of financial measures and business goals linked to the Company's strategy, which include financial and operational performance measures. The business objectives are tailored to reflect each individual's role and responsibilities during the year. The performance measures were chosen to enable the Remuneration Committee to review the Company's performance against the Company's business strategy and appropriately incentivise and reward the executive Directors.

The Remuneration Committee sets annual bonus targets each year. These are stretching targets that reflect the most important areas of strategic focus for the Company. The factors taken into consideration include the individual's performance, accomplishments and dedication of effort, seniority and relevant experience in the field or industry and with the Company's particular assets, the Company's results measured by various indicators, including net income, NAV Discount and NAV Growth, the general level of compensation paid to peer executives and by peer companies, the Company's desire to retain, incentivise and reward its executive management, the individual's travel demands and time away from home on business and other relevant factors.

(b) LTIP

The Remuneration Committee may make the vesting of an LTIP award conditional upon the satisfaction of performance conditions. For the purposes of recruiting or retaining a key individual, an award may be granted without performance conditions.

If performance conditions are attached to an LTIP award, these are determined at the time of grant by the Remuneration Committee. The performance measures are chosen to

align the performance of participants with the attainment of financial and/or operational performance targets over the vesting period of the award. The Remuneration Committee sets the targets by reference to the Company's strategy and business plan.

Under the LTIP rules, the Remuneration Committee retains the discretion to amend any performance conditions without prior shareholder approval, if:

- An event has occurred which causes the Remuneration Committee reasonably to consider that it would be appropriate to amend the performance conditions;
- The altered performance conditions will, in the reasonable opinion of the Remuneration Committee, be not materially less difficult to satisfy than the unaltered performance conditions would have been but for the event in question; and
- The Remuneration Committee shall act fairly and reasonably in making the alteration.

2.2 Malus and Clawback

(a) Annual Bonus

There are no malus or clawback provisions included in the operation of the annual bonus. The Remuneration Committee retains the flexibility to introduce this in the future.

(b) LTIP

Under the LTIP rules, the Remuneration Committee may determine, where appropriate, that all or part of an un-vested award may not vest in the event that any of the following matters are discovered:

- A material misstatement of the Company's audited financial results;
- A material breach of health and safety regulations;
- A material failure of risk management; and
- Serious reputational damage to the Company.

The Remuneration Committee retains the flexibility to introduce clawback provisions in the LTIP in the future.

2.3 Remuneration Throughout the Company

Differences in the Company's remuneration policy for executive management from the policy for other employees within the Company generally reflect appropriate market rates and practices for specific executive roles requiring individuals with the requisite training and experience.

2. Remuneration Policy Table: Executive Management (continued)

Component	Purpose and link to strategy of the Company	Operation	Maximum opportunity	Performance measures
Salary	To provide fixed remuneration at an attractive but balanced level, taking into account the complexity of the role and the skills and experience of the individual and sufficient to attract and retain executive management as part of the overall compensation package.	<p>Salary is paid on a bi-weekly or monthly basis.</p> <p>The Remuneration Committee takes into account a number of factors when setting salaries including:</p> <ul style="list-style-type: none"> • scope and difficulty of the role; • skills and experience of the individual; • salary levels for similar roles within the international industry; and • pay and conditions elsewhere in the Company or locale. <p>Salaries are reviewed on an annual basis but are not necessarily increased at each review.</p>	<p>Salary increases are normally made with reference to the average increase for the Company's wider employee population and taking into account increases in the relevant cost of living and adequate career advancement.</p> <p>The maximum opportunity is 15 percent of base salary for each financial year.</p> <p>The Remuneration Committee retains discretion to make higher salary increases in certain circumstances, for example, following a change in the scope and/or the responsibility of the role or the development of the individual in the role.</p> <p>The Remuneration Committee will consider the factors set out under the "Operation" column when determining the appropriate level of base salary within the formal Policy maximum.</p>	None.
Annual Bonus	To incentivise and reward the achievement of individual and business objectives which are key to the delivery of the Company's business strategy.	<p>Annual bonus awards are based on individual and Company performance measured over one financial year and may include both a cash component and an equity component. Targets are reviewed annually.</p> <p>The Remuneration Committee sets targets that require appropriate levels of performance, taking into account internal and external expectations of performance.</p> <p>Shortly after year-end results are available, the Remuneration Committee will meet to review performance against objectives and determine payouts that will generally be made in cash.</p> <p>No part of the cash bonus is subject to deferral, but the Remuneration Committee reserves the flexibility to apply deferral if appropriate in the future.</p> <p>The Remuneration Committee will, of course, consider whether and to what extent an executive might be receiving an award under the LTIP and the tax consequences of such award in determining the appropriate annual bonus. There are currently no malus or clawback provisions in place, but the Company reserves the right to introduce such provisions in the future.</p>	<p>The maximum award opportunity is 150 percent of base salary for each financial year.</p>	<p>At least 50 percent of the award will be assessed against Company metrics including financial and operational performance. The remainder will be based on performance against individual objectives.</p> <p>A sliding scale of between 0 percent and 100 percent of the maximum award is paid dependent on the performance level.</p>

2. Remuneration Policy Table: Executive Management (continued)

Component	Purpose and link to strategy of the Company	Operation	Maximum opportunity	Performance measures
Long Term Incentive Plan ("LTIP")	To incentivise, retain and reward eligible employees and align their interests with those of the shareholders of the Company.	<p>Awards may be granted under the LTIP in the form of conditional share awards, nil-cost options and/or forfeitable shares. Awards will usually vest over a period of two years, subject to achievement of any performance conditions, unless determined otherwise by the Remuneration Committee. Options may only be exercised within five years of the date of grant.</p> <p>Awards can be reduced or cancelled in certain circumstances as set out in the "Malus" section above. There are currently no clawback provisions in place, but the Company reserves the right to introduce clawback provisions in the future.</p> <p>Operation is governed by the rules of the LTIP.</p>	The maximum award permitted under the LTIP is an award over shares valued at 200 percent of base salary in respect of a financial year. This limit may be increased to 300 percent if the circumstances are deemed exceptional by the Remuneration Committee.	<p>Generally as above for annual cash bonuses. However, the Company may, for the purposes of recruiting or retaining a key individual, grant an award without performance measures.</p> <p>Any performance conditions will be measured over the vesting period of the award.</p>
Pension	To provide a retirement benefit that will foster loyalty and retain and incentivise experienced executive management.	<p>Pursuant to agreements of employment with executive management, the Company has agreed to establish a suitable deferred compensation or pension type plan customary for comparable size companies and consistent with any applicable rules.</p> <p>Although the Company has yet to establish such a pension plan, the Remuneration Committee may in the future provide pension benefits commensurate with the market.</p>	Any pension benefits will be set at an appropriate level in line with market practice, and in no event will the annual contributions paid by the Company exceed 15 percent of base salary.	None.
Benefits	To provide a market competitive level of benefits to executive management.	<p>The Company presently provides group life insurance with a death benefit equal to two times salary.</p> <p>Pursuant to agreements of employment with executive management, the Company has agreed to provide group medical insurance to them and, if ineligible, to reimburse or pay for premiums for similar medical coverage.</p> <p>The Company may in the future make individual and Company-wide agreements providing health care and other benefits commensurate with the market.</p> <p>Executive management are reimbursed for all business travel and business expenses, which are generally not considered to be taxable benefits.</p>	<p>Any additional benefits will be set at an appropriate level in line with market practice, and in no event will the value of the benefits exceed 20 percent of base salary for each financial year.</p> <p>The Remuneration Committee will keep benefit policy under review and may adjust the benefit levels in line with market movements.</p>	None.

3. Recruitment

The Company's policy on the recruitment of executive management is to pay a fair remuneration package for the role being undertaken and the experience of the individual being recruited. The Remuneration Committee will consider all relevant factors, which include the abilities of the individual, his or her existing remuneration package, market practice and the existing arrangements for the Company's current executive management.

The Remuneration Committee will determine that any arrangements offered are in the best interests of the Company and shareholders, and will endeavour to pay no more than is necessary.

3. Recruitment (continued)

The Remuneration Committee intends that the components of remuneration set out in the policy tables for executive management, and the approach to those components as set out in the policy tables, will be equally applicable to new recruits, i.e., salary, annual bonus, LTIP awards, pension and benefits. However, the Remuneration Committee acknowledges that additional flexibility may be required to ensure the Company is in the best position to recruit the best candidate for any vacant roles.

3.1 Flexibility

The salary and compensation package designed for a new recruit may be higher or lower than that earned by existing executive management.

Remuneration will normally not exceed that set out in the policy table above. However, the Remuneration Committee reserves discretion to provide a sign-on payment or benefits in addition to those set out in the policy table (or mentioned in this section) where the Remuneration Committee considers it reasonable and necessary to do so.

To ensure that the Company can compete with its peers, the Remuneration Committee considers it important that the recruitment policy has sufficient flexibility in order to attract and appropriately remunerate the high-performing individuals that the Company requires to achieve its strategy. Accordingly, the Remuneration Committee reserves the right to provide a one-off bonus of up to 200 percent of base salary if this is required to secure an external appointment (separate from the annual bonus described in the policy table) in addition to any buy-out of forfeited awards.

This flexibility will only be used when the Remuneration Committee believes it is essential to recruit and motivate a particular candidate.

3.2 Buy-out Arrangements

To facilitate recruitment, the Remuneration Committee retains the discretion to compensate new hires

for incentive or other awards forfeited by the recruit in joining the Company. The Remuneration Committee will use its discretion in setting any such compensation, which will be decided on a case-by-case basis and likely on an estimated like-for-like basis.

Compensation for awards forfeited may take the form of a bonus payment or a share award. For the avoidance of doubt, the maximum amounts of compensation contained in the policy table will not apply to such awards.

The Company has not placed a maximum value on the compensation that can be paid under this section, as it does not believe it would be in shareholders' interests to set any expectations for prospective candidates regarding such awards.

In deciding the appropriate type and quantum of compensation to replace existing awards, the Remuneration Committee will take into account all relevant factors, including the type of award being forfeited, the likelihood of any performance measures attached to the forfeited award being met and the proportion of the vesting period remaining. The Remuneration Committee will appropriately discount the compensation payable to take account of any uncertainties over the likely vesting of the forfeited award to ensure that the Company does not, in the view of the Remuneration Committee, pay in excess of what is reasonable or necessary.

4. Payments for Loss of Office

Any compensation payable in the event that the employment of a member of executive management is terminated will be determined in accordance with the terms of the service contract between the Company and the individual, as well as the relevant rules of the LTIP and of this Remuneration Policy.

The Remuneration Committee will consider a variety of factors when considering leaving arrangements for a member of executive management and may exercise any discretions the Remuneration Committee has in this regard, including (but not limited to)

individual and business performance during the office, the reason for leaving and any other relevant circumstances (e.g., ill health).

In addition to any payment that the Remuneration Committee may decide to make, the Remuneration Committee reserves discretion as it considers appropriate to:

- Pay an annual bonus for the year of departure;
- Continue providing any benefits for a period of time; and
- Provide outplacement services.

Non-executive members of the Board of Directors do not have any notice periods prior to termination of service and are not entitled to any compensation on termination.

4.1 LTIP Awards

The treatment of any outstanding LTIP award is governed by the LTIP rules. An award will lapse upon the termination of a participant's employment with the Company other than by reason of:

- Death;
- Ill-health or disability;
- The company by which an award holder is employed ceasing to be a Group company;
- The transfer of the undertaking or part of the undertaking in which the award holder is employed to a person other than a Group company; and
- Termination by a Group company without cause.

The Remuneration Committee may also decide following a termination of employment that the participant's awards shall not lapse. The Remuneration Committee will consider a variety of factors when deciding whether to exercise this discretion, including (but not limited to) individual and business performance during the vesting period, the reason for leaving and any other relevant circumstances.

4. Payments for Loss of Office (continued)

In the event that an award does not lapse, it will vest in the normal course unless the Remuneration Committee exercises its discretion to determine that the award shall vest on an earlier date. Such awards will vest pro-rata according to the period of service in relation to the vesting period, subject to the Remuneration Committee's discretion. In addition, an award which is subject to performance conditions will only vest if and to the extent that the Remuneration Committee determines that any performance conditions and any other terms imposed on the vesting of the award have been satisfied or should be deemed satisfied (in whole or in part).

5. Service Contracts and Letters of Appointment

The key employment terms and conditions of the service contracts and letters of appointment of executive management that could impact on their remuneration or loss of office payments are set out below.

The service contract of each of Mr. Toner, Ms. Watson and Ms. McPhillips provides:

- Six months' notice is required by either the Company or the individual to terminate the employment; and
- If the employment is terminated without cause as defined in the agreement, the individual is entitled to receive six months' base salary and accrued performance compensation.

The service contract of Mr. Toner further provides that if such termination occurs in connection with or within two years of a change of control as defined in the agreement, the individual is entitled to 24 months' compensation, including any accrued performance compensation.

Each service contract may also be terminated immediately and with no liability to make payment in certain circumstances, such as unremedied gross negligence, conviction of offenses involving moral turpitude or consistent unexcused absences from work.

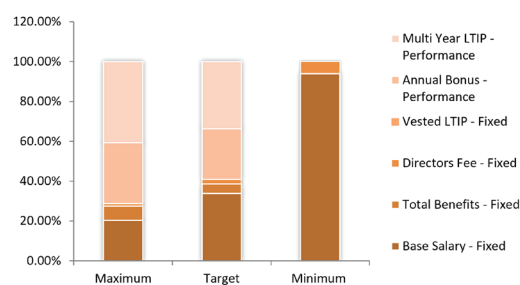
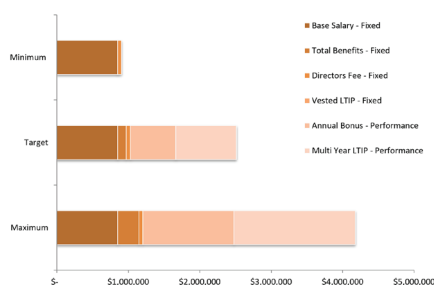
The Executive Chairman of the Board of Director's service contract requires six months' notice by either the Company or Mr. Mossavar-Rahmani to terminate the employment.

Executive management service contracts are available for inspection at the Company's registered office.

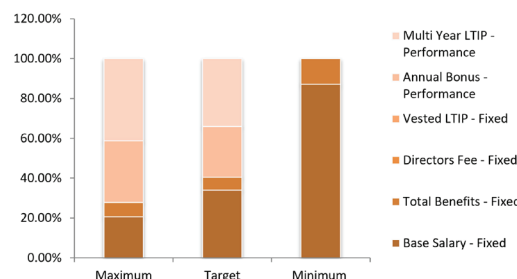
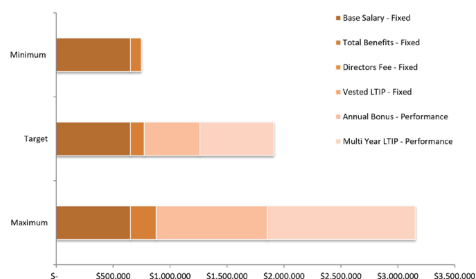
6. Illustration of the Remuneration Policy

The bar charts below show the levels of remuneration that each member of executive management could earn over the coming year under the Remuneration Policy.

Bijan Mossavar-Rahmani (Executive Chairman of the Board of Directors)¹³



Kevin J. Toner (Managing Director and General Counsel)¹⁴

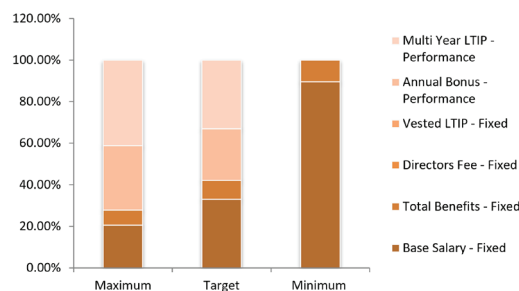
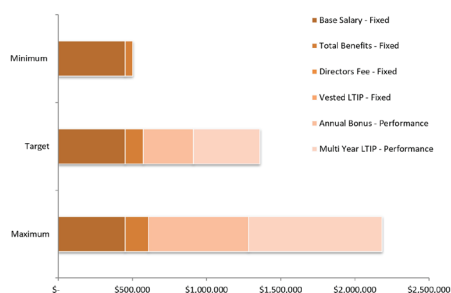


¹³ The base salary of the Executive Chairman is USD 850,000, the illustrative LTIP awards are 200 percent of the base salary with two thirds vesting over the first year equalling USD 1.13 million, the Directors fees are USD 50,000 per year and the maximum and target total benefits are estimated at 35 percent of base salary. The maximum and target annual bonuses are at 150 percent and 75 percent of base salary respectively depending on performance. The multi-year LTIP performance related bonus could be granted in full at the time of award or vest over time.

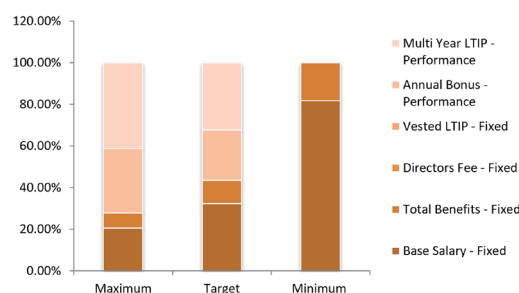
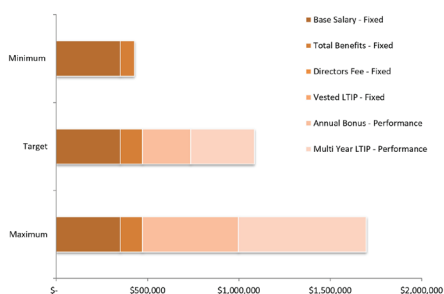
¹⁴ The base salary of the Managing Director and General Counsel is USD 650,000, the illustrative LTIP awards are 200 percent of the base salary with two thirds vesting over the first year equalling USD 867,000 and the maximum and target total benefits are estimated at 35 percent of base salary. The minimum total benefit is estimated based on the existing life insurance premium and health cover of the Managing Director and the 35 percent limit on potential benefits including pension. The maximum and target annual bonuses are at 150 percent and 75 percent of base salary respectively depending on performance. The multi-year LTIP performance related bonus could be granted in full at the time of award or vest over time.

6. Illustration of the Remuneration Policy (continued)

Shelley M. Watson (Chief Operating Officer and Chief Financial Officer)¹⁵



Lisa K. McPhillips (Chief of Staff and Deputy General Counsel)¹⁶



¹⁵ The base salary of the Chief Operating Officer and Chief Financial Officer is USD 450,000, the illustrative LTIP awards are 200 percent of the base salary with two thirds vesting over the first year equalling USD 600,000 and the maximum and target total benefits are estimated at 35 percent of base salary. The minimum total benefit is based on the existing superannuation, life insurance and health cover premiums of the Chief Operating Officer and Chief Financial Officer. The maximum and target annual bonuses are at 150 percent and 75 percent of base salary respectively depending on performance. The multi-year LTIP performance related bonus could be granted in full at the time of award or vest over time.

¹⁶ The base salary of the Chief of Staff and Deputy General Counsel is USD 350,000, the illustrative LTIP awards are 200 percent of the base salary with two thirds vesting over the first year equalling USD 467,000 and the maximum and target total benefits are estimated at 35 percent of base salary. The minimum total benefit is based on the existing life insurance and health cover premiums of the Chief of Staff and Deputy General Counsel. The maximum and target annual bonuses are at 150 percent and 75 percent of base salary respectively depending on performance. The multi-year LTIP performance related bonus could be granted in full at the time of award or vest over time.

7. Consideration of Shareholder Views

The Remuneration Committee will take into account the results of the shareholder vote on remuneration matters when making future remuneration decisions. The Remuneration Committee remains mindful of shareholder views when evaluating and setting ongoing remuneration strategy.

8. Consideration of Employment Conditions Within the Company

When determining remuneration levels for its executive Directors, the Board of Directors considers the pay and employment conditions of employees across the Company. The Remuneration Committee will be mindful of average salary increases awarded across the Company when reviewing the remuneration packages of the executive Directors. This remuneration is limited to remuneration to be received from the Company and its wholly-owned subsidiaries and is not intended to affect remuneration received from the Investment Entities. In making determinations under the policy, the Remuneration Committee may take into account remuneration received from Investment Entities.

The Company has not undertaken any specific consultation with employees relating to executive remuneration when preparing the Remuneration Policy. No remuneration comparison measurements were used.

9. Minor Changes

The Remuneration Committee may make, without the need for shareholder approval, minor amendments to the Remuneration Policy for regulatory, exchange control, tax or administrative purposes or to take account of changes in legislation.

For and on behalf of the Remuneration Committee

BIJAN MOSSAVAR-RAHMANI

Bijan Mossavar-Rahmani

Chairman of the Remuneration Committee

30 April 2020

VI. Statement of Directors' Responsibilities

The Board of Directors is responsible for preparing the Annual Report, the Directors' Remuneration Report and the Consolidated and Parent Company Financial Statements in accordance with applicable law and regulations.

The Board of Directors prepares Consolidated and Parent Company Financial Statements for each financial year. The Board of Directors is required by the International Accounting Standard ("IAS") Regulation to prepare the Consolidated and Parent Company Financial Statements under International Financial Reporting Standards ("IFRS") as adopted by the European Union. The Board of Directors must not approve the accounts unless they are satisfied that these give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that period.

In preparing the Consolidated and Parent Company Financial Statements, IAS 1 requires that the Board of Directors:

- Properly select and apply accounting policies;
- Make judgements and estimates that are reasonable and prudent;
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- Prepare the Consolidated and Parent Company Financial Statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Board of Directors is responsible for keeping proper accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the Consolidated and Parent Company Financial Statements comply with the Companies Act 2006.

The Board of Directors is also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Board of Directors' Responsibility Statement

We confirm that to the best of our knowledge:

- The Consolidated and Parent Company Financial Statements, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and the undertakings included in the consolidation as a whole;
- The Strategic Report, which is incorporated into the Report of the Directors, includes a fair review of the development and performance of the business and the position of the Group and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

For and on behalf of the Board of Directors

BIJAN MOSSAVAR-RAHMANI

Bijan Mossavar-Rahmani
Executive Chairman of the Board of Directors

30 April 2020

VII. Consolidated and Parent Company Financial Statements

At 31 December 2019

Independent Auditors' Report to the Members of RAK Petroleum plc

Opinion

In our opinion:

- RAK Petroleum plc's ("RAK Petroleum" or the "Company" or the "Parent Company") group financial statements and Company financial statements (the "Consolidated and Parent Company Financial Statements") give a true and fair view of the state of the Group's and of the Company's affairs at 31 December 2019 and of the Group's profit for the year then ended;
- the Consolidated Financial Statements have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union;
- the Parent Company Financial Statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the Consolidated and Parent Company Financial Statements have been prepared in accordance with the requirements of the Companies Act 2006, and, as regards the Consolidated Financial Statements, Article 4 of the IAS Regulation.

We have audited the Consolidated and Parent Company Financial Statements of RAK Petroleum which comprise:

Group	Parent Company
Consolidated Statement of Financial Position at 31 December 2019	Parent Company Statement of Financial Position at 31 December 2019
Consolidated Statement of Comprehensive Income for the year then ended	Parent Company Statement of Cash Flows for the year then ended
Consolidated Statement of Cash Flows for the year then ended	Parent Company Statement of Changes in Equity for the year then ended
Consolidated Statement of Changes in Equity for the year then ended	Related notes 1 to 30 to the financial statements including a summary of significant accounting policies
Related notes 1 to 30 to the financial statements, including a summary of significant accounting policies	

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union and, as regards to the Parent Company Financial Statements, as applied in accordance with the provisions of the Companies Act 2006.

Basis of Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the Consolidated and Parent Company Financial Statements section of our Auditors' Report below. We are independent of the Group and the Company in accordance with the ethical requirements that are relevant to our audit of the Consolidated and Parent Company Financial Statements in the United Kingdom, including the Financial Reporting Council's ("FRC") Ethical Standard as applied to listed public interest entities, 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.

Conclusions Relating to Going Concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Board of Directors' use of the going concern basis of accounting in the preparation of the Consolidated and Parent Company Financial Statements is not appropriate; or
- the Board of Directors have not disclosed in the Consolidated and Parent Company Financial Statements identified material uncertainties that may cast significant doubt about the Group's or the Company's ability to continue to adopt the going concern basis of accounting for a period of at least 12 months from the date when the Consolidated and Parent Company Financial Statements are authorised for issue.

Overview of Our Audit Approach

Key audit matters	<ul style="list-style-type: none">• Going concern basis of accounting used for preparation of the Consolidated Financial Statements• Accounting for business combinations in the period and subsequent impairment testing• Estimation of oil and gas reserves and resources being a key assumption for acquisition accounting, impairment tests and the calculation of depreciation, depletion and amortisation ("DD&A")
Audit scope	<ul style="list-style-type: none">• We performed an audit of the complete financial information of two components (the RAK Petroleum sub-group, the DNO ASA ("DNO") sub-group) and audit procedures on specific balances for a further component (equity-accounted Foxtrot International LLC ("Foxtrot International")).• The components where we performed full or specific audit procedures accounted for 100 percent of earnings before interest, tax, depreciation and amortisation ("EBITDA"), revenue and total assets.
Materiality	<ul style="list-style-type: none">• Overall Group materiality of USD 15.4 million which represents 3 percent of EBITDA

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Consolidated and Parent Company Financial Statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the Consolidated and Parent Company Financial Statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our Auditors' Report.


Key audit matter

Going concern basis of accounting used for preparation of the Consolidated Financial Statements

In the post balance sheet period COVID-19 has developed as a pandemic and oil prices have fallen very significantly. As a result there is increased judgement required by the Board of Directors in assessing the prospects of the Group over the going concern period.

Significant judgment is required around a number of forward-looking assumptions that impact the Group's forecast liquidity and covenant measures and how these are impacted by these events. These assumptions include future oil and gas prices, capital and operating cost forecasts and future cost savings, the timing of receipts from oil sales in Kurdistan, and any impacts of COVID-19 on the Investment Entities' operations and production. Further, there is judgement as to whether there are matters that may constitute a material uncertainty related to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern. Taking into account the uncertainty around oil price and other assumptions, the Board of Directors concluded that there was a reasonable expectation of the Group's ability to meet its obligations for the next 12 months under stress tested cash flow forecasts.

Appropriate disclosures are required around the Board of Directors' judgements and conclusions.

-  The going concern assessment has increased in risk in the current year as a result of the reduction in oil prices in March and April 2020 and the potential impacts of COVID-19.

Refer to Accounting policies (pages 66, 67, 68 and 74) of the Consolidated and Parent Company Financial Statements.

Our audit response

We performed full scope procedures over the going concern assessments made for the DNO Group and the remainder of the Group. For our procedures on the DNO Group we had assistance from one component team.

Going concern modelling	<ul style="list-style-type: none"> We gained an understanding of the approach taken by management to model cash flows and to measure covenants over the forecast period for the assessments made for the DNO Group and the remainder of the Group. We tested the mathematical integrity and methodology of this modelling, that includes on sample basis cash flows of underlying oil and gas assets. We challenged, including using our knowledge of the Group from other audit procedures, whether the activities reflected in the cash flows were complete, including the oil and gas assets modelled, financing arrangements and related covenants and general and administrative costs as well as taxes. We confirmed the starting cash position to the books and records, including testing a sample of accounts to bank statements. We confirmed cash receipts by DNO in April relating to oil sales in Kurdistan to bank statements.
Oil and gas prices	<ul style="list-style-type: none"> For the DNO Group assessment we compared the oil prices modelled by management over the going concern period against recent externally sourced information, including consensus prices from banks/brokers as well as forward curves.
DNO cash receipts from oil sales in Kurdistan	<ul style="list-style-type: none"> We assessed the appropriateness, including quantum and timing, of forecast cash receipts from oil sales in Kurdistan under related agreements.
Cost assumptions	<ul style="list-style-type: none"> We gained an understanding of the mitigating actions forecast by DNO, particularly targeted cash cost savings, being undertaken by management in response to the decline in oil prices and their impact on forecast future operating, capital, general and administration and decommissioning activities and how these had been reflected in the cash flows. We assessed whether the mitigations modelled were realistic and achievable, including consideration of their scale, timing and history of similar actions. We challenged whether the impact of cash cost reductions on production volumes over the forecast period was reasonable.
Financing arrangements and covenants	<ul style="list-style-type: none"> We agreed the terms of financing arrangements modelled to contractual terms and our audit work on related facilities. We determined which covenants were most sensitive to key assumptions used in the forecasts.
Stress testing	<ul style="list-style-type: none"> We evaluated stress testing performed by management in order to test the resilience of the business both from a liquidity perspective and its ability to meet covenants under financing arrangements in place. This included the impact of stress testing key assumptions, including, for the DNO Group, future oil price and the timing of cash receipts for oil sales in Kurdistan. We evaluated whether mitigating actions modelled by management were realistic and within management's control.
COVID-19	<ul style="list-style-type: none"> We assessed whether management had appropriately considered the potential impacts of COVID-19 on the forecasts and related disclosures.
Disclosures	<ul style="list-style-type: none"> We assessed the appropriateness of related disclosures in the Consolidated and Parent Company Financial Statements and elsewhere in the Annual Report.

Key observations communicated to the Audit Committee

- We agree with the Board of Directors' conclusion that the Consolidated and Parent Company Financial Statements are appropriately prepared on a going concern basis.
- We agree that the related disclosures in the Annual Report and Accounts are appropriate.

Key audit matter

Accounting for business combinations in the period and subsequent impairment testing

The Group's subsidiary DNO acquired two significant North Sea businesses in 2019 (Faroe Petroleum plc ("Faroe") and an asset swap with Equinor Energy AS ("Equinor") (the Equinor asset swap)).

We identified three principal areas of risk which are linked:

- Under IFRS 3 Business Combinations, the Group is required to identify and fair value assets acquired and liabilities assumed in each transaction at the acquisition-date (the purchase price allocation ("PPA")). The estimation of the fair value of certain assets or liabilities is judgemental. In particular, in this case, the valuation of oil and gas assets (whether in exploration, development or production phase) is complex and requires significant judgement in applying forecasts and assumptions, including estimates of reserves and resources and related production profiles, future oil and gas prices and costs and the discount rate applied.
- Given the related oil and gas assets were fair valued during 2019, these, including related goodwill, are sensitive to any reductions in recoverable value and there is a heightened risk that changes in assumptions since acquisition date could lead to material impairments at year-end.
- IFRS 3 allows a business combination to be accounted for on a provisional basis but must be finalised within 12 months from the acquisition date. During this 12-month period, the acquirer is required to make retrospective adjustments to acquisition accounting if it obtains new information about facts and circumstances that existed at the acquisition date. In some cases, it may be judgemental to determine whether 'facts and circumstances' existed at the acquisition date or arose subsequent to this.

There is also a risk of management bias and override embedded across all 3 risk elements, given the significance of these transactions and potential investor interest.

The carrying value of North Sea non-current assets at 31 December 2019 is USD 1,288.9 million (31 December 2018: USD 31.1 million).

- i** The accounting for the Faroe acquisition was an area of risk in the prior year when it was disclosed as a post balance sheet event. We consider that the associated risk has increased in the current year as the business combinations in the year are now reflected in the balance sheet.

Refer to Accounting policies (pages 66, 67, 68 and 74) of the Consolidated and Parent Company Financial Statements.

Our audit response

We performed full scope audit procedures over this risk area in one component, which covered 100 percent of the aggregate risk amount.

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| Business combination specific considerations | <ul style="list-style-type: none">• We assessed management's conclusion that the Faroe acquisition and Equinor asset swap were business combinations as defined by IFRS3.• We confirmed the respective acquisition dates.• We recalculated the value of the consideration paid for the Faroe acquisition.• We assessed management's conclusion that the consideration for the Equinor asset swap was the fair value of the assets given up including review of related agreements.• We confirmed the completeness of assets acquired and liabilities assumed in the Faroe acquisition through review of the 2018 Faroe financial statements and consideration of evidence gained in the audit of the related business in 2019. |
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| Assessment of management's specialists | <ul style="list-style-type: none">• We assessed the competence, capabilities and objectivity of PricewaterhouseCoopers ("PwC") as a specialist engaged by DNO management to provide valuation and business modelling support for both the Faroe acquisition and the Equinor asset swap.• We assessed the competence, capabilities and objectivity of Gaffney, Cline & Associates ("GCA") who were engaged by management to report on North Sea reserve and resource quantities at 31 December 2018. |
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| Valuation methodology adopted for oil and gas assets (in accounting for business combinations and subsequent impairment tests) | <ul style="list-style-type: none">• We read PwC's valuation report for the business combination and gained an understanding of the methodology that PwC applied in valuing oil and gas assets, assessing this against usual industry practice.• We confirmed that a consistent methodology was then used by management for subsequent impairment tests.• We tested the integrity of valuation models used for mechanical and mathematical accuracy. |
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| Key assumptions applied (in accounting for business combinations and subsequent impairment tests) | <ul style="list-style-type: none">• We assessed key assumptions applied including the basis for oil and gas reserves and resources included in the valuation, oil and gas price assumptions and discount rates applied.• With respect to estimates of oil and gas reserves and resources and related production profiles we:<ul style="list-style-type: none">- Compared reserve and resource quantities and production profiles to external operator data and to data verified by GCA as part of their independent assessment of reserves & resources.- Evaluated the appropriateness of the risking applied by PwC to different classification categories of reserves and resources based on their nature, including assessing the consistency of this risking applied at acquisition date and then in year-end impairment tests.• We compared oil and gas price assumptions with external benchmarks.• With the assistance of EY Valuation specialists we determined the reasonableness of the discount rates applied, including comparison of underlying components in their calculation to external benchmarks as applicable.• We assessed the consistency of cost profiles with those used in the estimation of oil and gas reserves and resources.• We evaluated the treatment of taxation included in post-tax valuation models with assistance from EY tax professionals.• In order to challenge the overall outcomes of the valuations, using an estimate of Faroe's proven and probable reserves at 31 December 2018 as prepared by Gaffney, Cline & Associates, we, with input from our valuation specialists, compared the valuation of Faroe oil and gas assets to values derived from multipliers of reserves volumes reflected in other market transactions. We rolled-forward this assessment to 31 December 2019 for impairment testing purposes. |
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| Measurement period adjustments | <ul style="list-style-type: none">• We evaluated management's subsequent measurement period adjustments to determine whether they qualify as such.• We challenged the completeness of these adjustments where there were changes in accounting estimates subsequent to acquisition date, including changes in the recoverable amount and estimation of decommissioning provisions. |
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Additional considerations relating to impairment testing	<ul style="list-style-type: none"> We evaluated the appropriateness of the Cash Generating Units ("CGU"s) identified by management against our understanding of the operation of, and interdependencies between, the oil and gas assets. We confirmed that the determination of the carrying amounts of each CGU were appropriate, including assessment of treatment of taxation with assistance from EY tax professionals. For any impairments arising we evaluated the allocation of the impairment within the CGU's assets, including to goodwill. We confirmed the appropriateness of the recording of the calculated impairment charge in the Consolidated Financial Statements.
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Disclosures	<ul style="list-style-type: none"> We assessed the appropriateness and completeness of related disclosures in the Consolidated Financial Statements, including impairment sensitivity disclosures.
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Key observations communicated to the Audit Committee

- We agree with the accounting for each business combination in the year, including the valuation of oil and gas assets. We did not identify significant additional assets or liabilities that have not been considered in the PPA exercises.
- We conclude that the key assumptions used in the valuation of oil and gas assets, both at acquisition date and for impairment tests at the year-end, are appropriate.
- We conclude that measurement period adjustments have been appropriately evaluated by management for the purposes of completing the PPA.
- We conclude that the impairment charges recorded in the year are appropriate.

Key audit matter


Estimation of oil and gas reserves and resources for the Tawke PSC and North Sea licenses (being a key assumption for acquisition accounting, impairment tests and the calculation of DD&A)

The inappropriate estimation, classification and application of reserves and resources quantities may materially impact the valuation of oil and gas assets as part of acquisition accounting and impairment testing (including goodwill) as well as the calculation of DD&A.

The estimation of oil and gas reserves and resources is a significant area of judgement due to the technical uncertainty in assessing and classifying related quantities and, in the case of the Tawke production sharing contract ("PSC"), complexities in the contractual arrangements dictating the DNO Group's entitlement. As such there is a higher risk of management bias in these estimates.

Total proved and probable reserves are used for the purposes of the unit of production-based depreciation charge. This is a change in estimate compared to 2018 where only proved developed reserves were used for the calculation.

The charge for DD&A for 2019 was USD 311.8 million (2018: USD 260.1 million). The carrying value of tangible oil and gas assets is USD 1,335.4 million (31 December 2018: USD 756.7 million).

 The risk has increased in the current year due to the increased scale of the Group's oil and gas asset portfolio.

Refer to Accounting policies (pages 75 and 78) of the Consolidated and Parent Company Financial Statements.

Our audit response

We performed full scope audit procedures over this risk area in one component, which covered 100 percent of the aggregate risk amounts for consolidated entities.

Reserves and resources estimation process	<ul style="list-style-type: none"> We gained an understanding of DNO's process for estimating reserves and resources quantities. We assessed management's assumptions used in the estimation, including commercial assumptions to ensure that they are based on supportable evidence. We assessed the accuracy of the prior year's reserve & resource estimate by inquiry of management's internal specialists and corroboration of explanations. For the Tawke PSC we prepared an independent recalculation of net entitlement reserves based on the terms of this PSC. We assessed the competence, capabilities and objectivity of management's internal specialists used in the estimation.
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External specialists engaged by management	<ul style="list-style-type: none"> We assessed the competence, capabilities and objectivity of DeGolyer & MacNaughton ("D&M") and Gaffney, Cline & Associates ("GCA") who have been engaged by management to report on reserve and resource quantities as at 31 December 2019. We checked the accuracy of the data provided to D&M and GCA. We compared the estimates of D&M and GCA to the estimates prepared by management, assessing any variations for audit implications.
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Use of reserves and resources in the financial statements	<ul style="list-style-type: none"> We confirmed that the reserve and resource quantities have been appropriately applied in impairment calculations performed as at 31 December 2019, including those relating to North Sea assets and the recoverability of goodwill carried by the Group. We confirmed that reserve estimates have been used accurately and prospectively in DD&A calculations. We assessed management's conclusion that the current year change in the unit of production-based depreciation methodology to use total proved and probable reserves is a prospective change in estimate.
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Key observations communicated to the Audit Committee

- We conclude that the estimations of reserves and resources, which have been reassessed at 31 December 2019, have been determined on a reasonable basis to be used in acquisition accounting, year-end impairment tests and prospectively in the unit of production-based depreciation.
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There have been a number of changes in key audit matters in the current year. Those in the prior year that are not included in the current year are:

- Judgement over *rebutting the presumption of significant influence over Faroe* was an event-driven key audit matter in 2018 which is not recurring in 2019.
- We do not consider *de-facto control over DNO or judgement around Kurdistan* revenue recognition to be key audit matters in 2019 as there have not been significant changes in circumstances.
- The *subsequent event note disclosure relating to the acquisition of Faroe* included in 2018 has been superseded by the related key audit matter above.

An Overview of the Scope of Our Audit

Tailoring the Scope

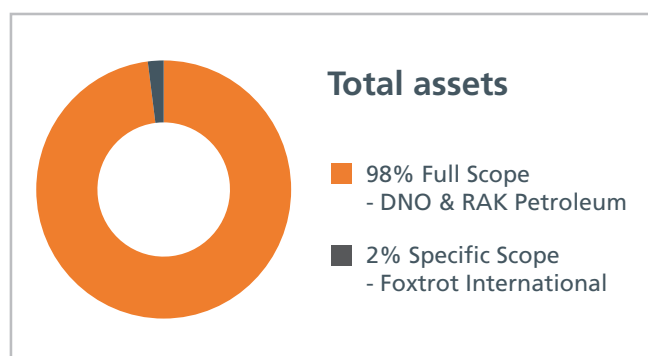
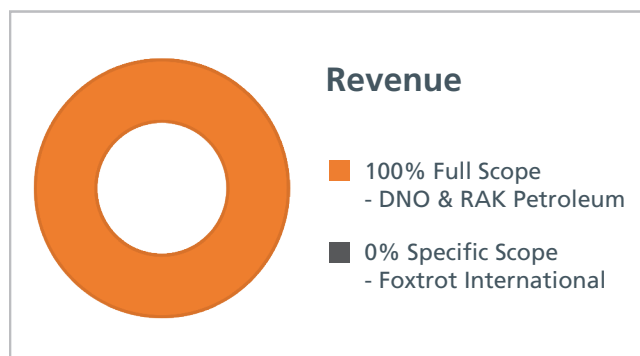
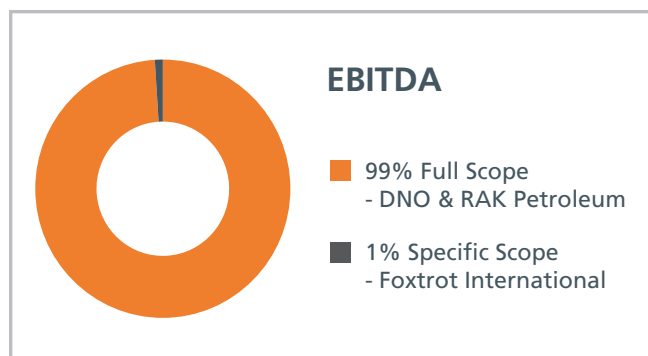
Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each entity within the Group. Taken together, this enables us to form an opinion on the Consolidated and Parent Company Financial Statements. We take into account size, risk profile, the organisation of the Group, changes in the business environment and other factors as appropriate when assessing the level of work to be performed at each entity.

In assessing the risk of material misstatement to the Group's Consolidated and Parent Company Financial Statements, and to ensure we had adequate quantitative coverage of significant accounts in the Consolidated and Parent Company Financial Statements, we selected three components of the Group, being the RAK Petroleum sub-group, the DNO sub-group and the equity-accounted investment in Foxtrot International.

Of these three components, we performed an audit of the complete financial information of the DNO sub-group and the RAK Petroleum sub-group ("full scope components") which were selected based on their size or risk characteristics. For the Foxtrot International component (a "specific scope component"), we performed audit procedures on specific accounts within that component that we considered had the potential for the greatest impact on the significant accounts in the Consolidated Financial Statements either because of the size of these accounts or their risk profile.

The components where we performed full or specific scope audit procedures accounted for 100 percent of the Group's EBITDA, Revenue and Total assets. The audit scope of specific scope components may not have included testing of all significant accounts of the component but will have contributed to the coverage of significant accounts tested for the Group.

The charts below illustrate the coverage obtained from the work performed by our audit teams.



There are no scoping changes compared to prior year.

Involvement with Component Teams

In establishing our overall approach to the Group audit, we determined the type of work that needed to be undertaken at each of the components by us, as the Group audit engagement team, or by component auditors from other EY global network firms operating under our instruction. The DNO sub-group is the only full scope component audited by a component team (EY Norway). The equity-accounted investment in Foxtrot International is the only specific scope component audited by a component team (EY Ivory Coast). We determined the appropriate level of involvement to enable us to determine that sufficient audit evidence had been obtained as a basis for our opinion on the Group as a whole.

During the current year's audit cycle, the Group audit team interacted regularly with the component teams. This included the engagement partner visiting Oslo in September 2019 in the planning phase. We interacted regularly with the component teams where appropriate during various stages of the audit, we received full access to the audit working papers of the DNO component and reviewed remotely all key working papers. We were responsible for the scope and direction of the audit process. This, together with the additional procedures performed at Group level, including those on the disclosure of the acquisition of Faroe as an event after the balance sheet date in the prior year, gave us appropriate evidence for our opinion on the Group's Consolidated and Parent Company Financial Statements.

Our Application of Materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the Consolidated and Parent Company Financial Statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

- We determined materiality for the Group to be USD 15.4 million (2018: USD 10.4 million), which is 3 percent of EBITDA (2018: 5 percent of EBIT). In the prior year, EBIT was used for the basis of materiality, however due to the integration of Faroe into the Group in the current year it is our judgement that EBITDA is a more appropriate basis.
- We determined materiality for the Company to be USD 5.9 million (2018: USD 6.3 million), which is 1 percent of the equity of the Company.

During the course of our audit, we reassessed initial materiality and concluded that it remained appropriate.

Performance Materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 50 percent (2018: 50 percent) of our planning materiality, namely USD 7.7 million (2018: USD 5.2 million). We have set performance materiality at this percentage based on the number of misstatements noted in the prior year.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, the performance materiality allocated to DNO, as the most significant component, was USD 6.8 million (2018: USD 4.9 million).

Reporting Threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of USD 0.8 million (2018: USD 0.5 million), which is set at approximately 5 percent of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other Information

The other information comprises the information included in the Annual Report set out on pages 2 to 49, other than the Consolidated and Parent Company Financial Statements and our Auditors' Report thereon. The Board of Directors are responsible for the other information.

Our opinion on the Consolidated and Parent Company Financial Statements does not cover the other information and, except to the extent otherwise explicitly stated in this Auditors' Report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the Consolidated and Parent Company Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Consolidated and Parent Company Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the Consolidated and Parent Company Financial Statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on Other Matters Prescribed by the Companies Act 2006

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the Consolidated and Parent Company Financial Statements are prepared is consistent with the Consolidated and Parent Company Financial Statements; and
- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on Which we are Required to Report by Exception

In the light of the knowledge and understanding of the Group and the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company Financial Statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Directors' Responsibility Statement set out on page 49, the Board of Directors is responsible for the preparation of the Consolidated and Parent Company Financial Statements and for being satisfied that they give a true and fair view, and for such internal control as the Board of Directors determine is necessary to enable the preparation of Consolidated and Parent Company Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Consolidated and Parent Company Financial Statements, the Board of Directors is responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Consolidated and Parent Company Financial Statements

Our objectives are to obtain reasonable assurance about whether the Consolidated and Parent Company Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Consolidated and Parent Company Financial Statements.

Explanation as to What Extent the Audit was Considered Capable of Detecting Irregularities, Including Fraud

The objectives of our audit, in respect to fraud, are; to identify and assess the risks of material misstatement of the Consolidated and Parent Company Financial Statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and to respond appropriately to fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant which are directly relevant to specific assertions in the Consolidated and Parent Company Financial Statements are those related to the reporting framework (IFRS as adopted by the European Union, the Companies Act 2006 and the Norwegian Code of Practice for corporate governance) and the relevant tax compliance regulations, mostly in Norway, Iraq/Kurdistan and the United Kingdom.
- We understood how the Group is complying with those frameworks by making enquiries to management, DNO internal audit, and those responsible for legal compliance procedures. We corroborated our enquiries through our review of board minutes and papers provided to the Audit Committees.

- We assessed the susceptibility of the Consolidated and Parent Company Financial Statements to material misstatement, including how fraud might occur by making enquiries to management, reviewing the findings of internal audit, assessing the entity level controls and identifying material amounts within the Consolidated and Parent Company Financial Statements which may be able to be manipulated to achieve desired results.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved enquiries to management and those responsible for legal compliance procedures and review of DNO internal audit reports.

A further description of our responsibilities for the audit of the Consolidated and Parent Company Financial Statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditors' Report.

Other Matters we are Required to Address

- We were appointed by the Company in 2014 to audit the Consolidated and Parent Company Financial Statements for the year ending 31 December 2013 and subsequent financial periods.
- The period of total uninterrupted engagement including previous renewals and reappointments is 7 years, covering the years ending 31 December 2013 to 31 December 2019.
- Non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Company and we remain independent of the Group and the Company in conducting the audit.
- The audit opinion is consistent with the additional report to the Audit Committee.

Use of our Auditors' Report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditors' Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP

Daniel Trotman (Senior statutory auditor)

For and on behalf of Ernst & Young LLP, Statutory Auditor

London

30 April 2020

Notes:

1. The maintenance and integrity of the RAK Petroleum plc web site is the responsibility of the Board of Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the Consolidated and Parent Company Financial Statements since they were initially presented on the website.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Consolidated Statement of Comprehensive Income For the Year Ended 31 December 2019

USD million	Notes	2019	2018
Revenues	5	971.4	829.3
Cost of goods sold	6	(541.4)	(350.6)
Gross profit		430.0	478.7
Share of profit of a Joint Venture	14	2.6	11.2
Other operating income		(0.5)	4.8
General and administrative expenses	7	(51.4)	(45.2)
Impairment of oil and gas assets	12	(162.0)	(1.9)
Reversal of impairment of investment in Joint Venture	14	5.4	8.7
Exploration costs expensed	8	(146.4)	(64.7)
Profit/(loss) from operating activities		77.7	391.7
Financial income	9	9.7	12.7
Financial expenses	9	(134.4)	(68.9)
Profit/(loss) before income tax		(47.0)	335.4
Income tax expenses	10	121.3	31.8
Net profit/(loss)		74.3	367.2
Other comprehensive income/(loss)			
Currency translation differences		(27.1)	1.4
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods		(27.1)	1.4
Changes in the fair value of equity investments at fair value through other comprehensive income	15	22.7	11.6
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods	-	22.7	11.6
Total other comprehensive income/(loss), net of tax		(4.4)	13.0
Total comprehensive income/(loss), net of tax		69.9	380.2
Net profit/(loss) attributable to:			
Equity holders of the parent		32.4	161.0
Non-controlling interest		41.8	206.2
Net profit/(loss)		74.3	367.2
Comprehensive income/(loss) attributable to:			
Equity holders of the parent		30.9	166.4
Non-controlling interest		38.9	213.8
Total comprehensive income/(loss), net of tax		69.9	380.2
Earnings per share attributable to the equity holders of the parent during the year			
Earnings per share, basic	11	0.108	0.516
Earnings per share, diluted		0.108	0.516

Consolidated Statement of Financial Position

At 31 December 2019

USD million	Notes	31 December 2019	31 December 2018
Assets			
Non-current assets			
Deferred income tax assets	10	63.7	7.0
Intangible assets	12	903.6	255.9
Property, plant and equipment	12	1,349.5	758.1
Financial investments	15	-	212.9
Investment in Joint Venture	14	85.7	94.2
Other non-current assets	16	0.0	0.1
Total non-current assets		2,402.5	1,328.2
Current assets			
Inventories	6	28.2	8.3
Trade and other receivables	16	479.0	210.1
Tax receivables	10	164.8	28.3
Cash and cash equivalents	17	515.7	768.0
Total current assets		1,187.6	1,014.7
Total assets		3,590.1	2,342.9
Equity and liabilities			
Equity			
Share capital	18	5.1	5.3
Share premium	19	0.7	0.7
Treasury shares	20	(22.1)	(20.8)
Foreign currency translation reserves	20	(15.5)	(13.7)
Other reserves	20	813.5	832.3
Retained earnings		48.8	31.8
Attributable to equity holders of the parent		830.5	835.5
Attributable to non-controlling interest	13	634.3	698.3
Total equity		1,464.8	1,533.8
Non-current liabilities			
Deferred income tax liabilities	10	217.6	-
Interest-bearing liabilities	21	842.1	590.0
Lease liabilities	22	11.1	-
Provisions for other liabilities and charges	22	422.9	68.2
Total non-current liabilities		1,493.7	658.2
Current liabilities			
Current interest-bearing liabilities	21	233.8	26.6
Trade and other payables	24	289.2	116.4
Income taxes payable	10	0.2	0.5
Current lease liabilities	22	3.3	-
Provisions for other liabilities and charges	22	105.1	7.4
Total current liabilities		631.6	150.9
Total liabilities		2,125.3	809.1
Total equity and liabilities		3,590.1	2,342.9

The Consolidated and Parent Company Financial Statements in Section VII were authorised for issue by the Board of Directors on 30 April 2020.

For and on behalf of the Board of Directors

BIJAN MOSSAVAR-RAHMANI

Bijan Mossavar-Rahmani

Executive Chairman of the Board of Directors

30 April 2020

Consolidated Statement of Cash Flows

For the Year Ended 31 December 2019

USD million	Notes	2019	2018
Operating Activities			
Profit/(loss) before income tax		(47.0)	335.4
Adjustments to add/(deduct) non-cash items:			
Previously capitalised exploration and evaluation expenses	12	27.8	-
Depreciation of property, plant and equipment	12	311.8	260.1
Impairment loss of oil and gas assets	12	162.0	1.9
Share of profit/(loss) of a Joint Venture	14	(2.6)	(11.2)
Reversal of impairment of Investment in Joint Venture	14	(5.4)	(8.7)
Other		6.7	50.2
Changes in working capital and provisions:			
- (Increase)/decrease in inventories	6	(2.0)	(2.4)
- (Increase)/decrease in trade and other receivables	16	(147.7)	(181.9)
- Increase/(decrease) in trade and other payables	24	(17.7)	16.5
- Increase/(decrease) in provisions for other liabilities and charges	22	92.5	4.7
Cash generated from operations		378.4	464.6
Income taxes paid	10	-	-
Tax refund during the period	10	56.9	33.2
Interest received	9	7.6	9.7
Interest paid	9	(78.2)	(43.9)
Payments for decommissioning	22	(22.6)	-
Net cash from/(used in) operating activities		342.1	463.7
Investing Activities			
Purchases of intangible assets	12	(68.5)	(7.8)
Purchases of tangible assets	12	(339.4)	(130.3)
Acquisition of Faroe Petroleum plc net of cash acquired	29	(428.7)	-
Proceeds from license transactions (assets swap)	29	29.6	-
Proceeds from sale of financial investments	15	6.6	-
Investments in financial assets	15	-	(201.3)
Equity injection into Joint Venture	14	(6.8)	(2.0)
Dividends received from Joint Venture	14	23.3	21.9
Net cash from/(used in) investing activities		(783.8)	(319.5)
Financing Activities			
Proceeds from borrowings	21	537.9	223.9
Repayment of borrowings	21	(205.8)	(39.2)
Acquisition of non-controlling interest without change of control	20	(82.3)	-
Dividend paid to non-controlling interest (NCI)		(26.7)	(15.2)
Acquisition of own shares		(30.0)	-
Payment of lease liabilities	20	(3.2)	-
Net cash from/(used in) financing activities		189.9	169.6
Net increase/(decrease) in cash and cash equivalents	17	(252.1)	314.0
Cash and cash equivalents at beginning of the period	17	768.0	454.0
Cash and cash equivalents at end of the period		515.9	768.0
Of which restricted cash	17	16.3	423.3

Consolidated Statement of Changes in Equity For the Year Ended 31 December 2019

USD million	Share capital	Share premium	Treasury shares	Other reserves	Foreign currency translation reserve	Retained earnings	Total	Non-controlling interest	Total equity
Balance at 1 January 2019	5.3	0.7	(20.8)	832.3	(13.7)	31.8	835.5	698.4	1,533.8
Profit/(loss) for the year	-	-	-	-	-	32.4	32.4	41.8	74.3
Other comprehensive income/(loss) for the year	-	-	-	-	(0.9)	(0.6)	(1.5)	(2.9)	(4.4)
Total comprehensive income/(loss) for the year	-	-	-	-	(0.9)	31.8	30.9	38.9	69.9
Transactions with owners, recognised directly as equity;									
Acquisition of non-controlling interest without change of control (Note 20)	-	-	(1.3)	11.0	(0.9)	(14.8)	(6.0)	(76.3)	(82.3)
Acquisition and cancellation of own shares (Note 20)	(0.3)	-	-	(29.8)	-	-	(30.0)	-	(30.0)
Payment of dividend to NCI	-	-	-	-	-	-	-	(26.7)	(26.7)
Balance at 31 December 2019	5.1	0.7	(22.1)	813.5	(15.5)	48.8	830.5	634.3	1,464.8

Consolidated Statement of Changes in Equity For the Year Ended 31 December 2018

USD million	Share capital	Share premium	Treasury shares	Other reserves	Foreign currency translation reserve	Retained earnings	Total	Non-controlling interest	Total equity
Balance at 1 January 2018	5.3	0.7	(20.8)	832.3	(14.8)	(133.5)	669.1	499.7	1,168.8
Profit/(loss) for the year	-	-	-	-	-	161.0	161.0	206.2	367.2
Other comprehensive income/(loss) for the year	-	-	-	-	1.1	4.3	5.4	7.6	13.0
Total comprehensive income/(loss) for the year	-	-	-	-	1.1	165.3	166.4	213.8	380.2
Transactions with owners, recognised directly in equity;									
Payment of dividend to NCI	-	-	-	-	-	-	-	(15.0)	(15.0)
Balance at 31 December 2018	5.3	0.7	(20.8)	832.3	(13.7)	31.8	835.5	698.4	1,533.8

Parent Company Statement of Financial Position

At 31 December 2019

USD million	Notes	2019	2018
Assets			
Non-current assets			
Equipment		-	-
Investment in subsidiaries	25	670.1	670.1
		670.1	670.1
Current assets			
Other receivables	16	0.8	0.8
Related party debt owed to Company	21	-	-
Cash and cash equivalents		21.7	2.8
		22.6	3.6
Total assets		692.6	673.7
Equity and liabilities			
Equity			
Share capital	18	5.1	5.3
Share premium	19	0.7	0.7
Other reserves	20	637.3	667.1
Retained earnings		34.2	(39.0)
Total equity		677.2	634.0
Non-current liabilities			
Employees' end of service benefits		0.1	0.1
Interest-bearing liabilities	21	6.1	14.3
		6.2	14.4
Current liabilities			
Trade and other payables	24	0.6	0.2
Provisions	22	-	-
Current interest-bearing liabilities	21	8.2	8.2
Related party debt owed by Company	21	0.5	17.0
		9.3	25.3
Total liabilities		15.4	39.7
Total equity and liabilities		692.6	673.7

The Company has elected to take the exemption under section 408 of the Companies Act 2006 not to present the Company profit and loss account. The profit for the Company for the year was USD 73.2 million (USD 6.5 million loss for 2018).

Parent Company Statement of Cash Flows For the Year Ended 31 December 2019

USD million	Notes	2019	2018
Operating activities			
Profit/(loss) before income tax		73.2	(6.5)
Adjustments to add/(deduct) non-cash items:			
Provisions	22	-	-
Operating profit before working capital changes		73.2	(6.5)
(Increase)/decrease in trade and other receivables		-	(0.5)
Increase/(decrease) in trade and other payables		0.4	(0.3)
Net cash from/(used in) operating activities		73.6	(7.3)
Investing activities			
Proceeds lent to subsidiary	21	-	-
Proceeds repaid by subsidiary	21	-	-
Net cash from/(used in) investing activities			
Financing activities			
Proceeds obtained from/repaid to subsidiary	21	(16.5)	14.9
Proceeds from borrowings	21	-	-
Repayment of borrowings	21	(8.2)	(8.2)
Acquisition of own Shares	20	(30.0)	-
Net cash from/(used in) financing activities		(54.7)	6.7
Net increase/(decrease) in cash and cash equivalents		18.9	(0.5)
Cash and cash equivalents at beginning of the period		2.8	3.4
Cash and cash equivalents at end of the period		21.7	2.8

Parent Company Statement of Changes in Equity For the Year Ended 31 December 2019

USD million	Share capital	Share premium	Other reserves	Accumulated losses	Total
Balance at 1 January 2019	5.3	0.7	667.1	(39.0)	634.0
Profit/(loss) for the year	-	-	-	73.2	73.2
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive profit/(loss) for the year	-	-	-	73.2	73.2
Acquisition and cancellation of own shares	(0.3)	-	(29.8)	-	(30.0)
Balance at 31 December 2019	5.0	0.7	637.3	34.2	677.2

Parent Company Statement of Changes in Equity For the Year Ended 31 December 2018

USD million	Share capital	Share premium	Other reserves	Accumulated losses	Total
Balance at 1 January 2018	5.3	0.7	667.1	(32.6)	640.5
Profit/(loss) for the year	-	-	-	(6.5)	(6.5)
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive profit/(loss) for the year	-	-	-	(6.5)	(6.5)
Balance at 31 December 2018	5.3	0.7	667.1	(39.0)	634.0

Notes to the Consolidated and Parent Company Financial Statements

At 31 December 2019

1. Corporate Information

RAK Petroleum plc ("RAK Petroleum" or the "Company") is incorporated as a public limited company organised and existing under the laws of England and Wales pursuant to the United Kingdom ("UK") Companies Act. The Company was incorporated on 17 June 2013 and the Company's registration number is 08572925. The registered office of the Company is Elder House, St Georges Business Park, Brooklands Road, Weybridge, Surrey KT13 0TS, UK.

The Company is an energy investment company that currently owns two major assets:

- A block of 438,379,418 shares in DNO ASA ("DNO") representing 40.45 percent of the total DNO shares outstanding at 31 December 2019 (44.37 percent effective share net of DNO treasury shares held by DNO (2018: 41.80 percent)). DNO and its subsidiaries (the "DNO Group") is included in the Consolidated Financial Statements of the Group as a subsidiary for the year ended 31 December 2019; and
- 100 percent ownership of Mondoil Enterprises, LLC ("Mondoil Enterprises"). Through this investment in Mondoil Enterprises, the Group holds a one-half stake in Mondoil Côte d'Ivoire LLC ("Mondoil Côte d'Ivoire") which in turn holds a two-thirds ownership in Foxtrot International LDC ("Foxtrot International"), a privately-held oil and gas company active in Côte d'Ivoire. Mondoil Côte d'Ivoire is included in the consolidated accounts of the Group as a Joint Venture for the year ended 31 December 2019.

On 7 November 2014, the Company listed its Class A Shares on the Oslo Børs.

2. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these Consolidated and Parent Company Financial Statements are set out below.

These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of Preparation

The Consolidated Financial Statements of the Group as well as the Parent Company Financial Statements of the Company are prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and the Companies Act 2006 applicable to companies reporting under IFRS. The Consolidated Financial Statements are prepared under the historical cost convention with the following exceptions: investments in equity instruments classified as financial investments at fair value through other comprehensive income are recognised at fair value.

As permitted by International Accounting Standard (IAS) 1 *Presentation of Financial Statements* and in conformity with industry practice, the expenses in the consolidated statements of comprehensive income are presented as a combination of nature and function as this gives the most relevant and reliable presentation for the Group.

Due to rounding, the figures in one or more rows or columns included in the financial statements and notes may not add up to the subtotals or totals of that row or column.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Consolidated or Parent Company Financial Statements, are disclosed in Note 3.

Going Concern

The Consolidated and Parent Company Financial Statements have been prepared on a going concern basis.

2. Summary of Significant Accounting Policies (continued)

Taking account of the Group's present position and principal risks, the Board of Directors has a reasonable expectation that the Group and the Company will be able to continue in operation and meet their liabilities as they fall due for the period at least 12 months following approval of the Consolidated and Parent Company Financial Statements.

The Company acts as a holding company and currently holds interests in two oil and gas companies (the "Investment Entities"): DNO and Foxtrot International. At 30 April 2020, the Company indirectly owned 44.94 percent of the total outstanding shares of DNO and indirectly owned 33.33 percent of Foxtrot International. The Company and its wholly-owned subsidiaries have no direct production or expenditure in oil and gas assets. All production and expenditure in oil and gas assets is carried out through the Investment Entities, DNO and Foxtrot International. DNO is a Norwegian exploration and production company listed on the Oslo Børs (Oslo Stock Exchange). The Company is one of many shareholders and has no obligation to fund DNO's activities and expenditures. DNO has in place debt facilities and would be expected to be able to access funds if necessary through the usual suite of capital raising options available to any listed company. Foxtrot International is a privately-held company with two shareholders responsible for funding any expenditure requirements not covered by revenue generated in its operations. Foxtrot International sends monthly dividend payments from revenue generated from the sale of gas, oil and condensate and sends monthly cash calls to fund anticipated expenditure. Foxtrot is accounted for as a Joint Venture using the equity method of accounting. DNO is accounted for as a subsidiary due to the application of IFRS 10 regarding de-facto control, even though the Company is treated equally to other DNO shareholders and has no obligation to fund DNO's expenditures.

Reflecting that the DNO Group is only consolidated as a result of de-facto control, in assessing the Group's going concern the Board of Directors made separate consideration of the DNO Group and the Company, its wholly owned subsidiaries and Foxtrot International.

Company, wholly owned subsidiaries and Foxtrot International

The Board of Directors conducted a review for the period up to end December 2022 for the cash flow of the Company, its wholly owned subsidiaries and Foxtrot International, which was felt to be an appropriate period because forecasting beyond three years is likely to be inaccurate given oil price volatility and other uncertainties.

In making its determination, the Board of Directors considered (i) the approved budget for 2020 expenditures at Foxtrot International, (ii) forecasted cash flows from Foxtrot International, (iii) the timing and amount of the Company's existing and potential obligations to repay outstanding indebtedness, (iv) forecasted general and administrative expenses for the Company and its wholly-owned subsidiaries and (v) the likelihood of DNO dividends. In this regard, the Company benefits from Foxtrot International cash flows that are not substantially dependent upon world oil prices.

The underlying assumptions were stress tested and reviewed in the context of the Group's liquidity and the principal risks of the regions and industry in which it operates and with regard to the risks set out in the Principal Risks section above. No dividends are assumed from DNO in the base case or stress testing analysis following DNO's announcement that it had cancelled its March 2020 dividend in response to the oil price drop and coronavirus pandemic. Reduced dividend revenue from Foxtrot International was analysed at a level of 25 percent, 50 percent and 100 percent reduction and opportunities for the reduction of expenditure were considered.

The Board of Directors noted that the Company's going concern conclusion is not changed even under extreme assumptions with no revenue from either Foxtrot International or DNO during the next 12-month period.

DNO Group

The Board of Directors noted that for the purposes of the DNO Annual Report and Accounts published on 18 March 2020, the DNO Board of Directors concluded after its own analysis that the going concern basis of preparation was warranted for DNO and took note of (i) DNO's exceptionally low reported lifting costs, (ii) financing arrangements that DNO has in place, (iii) DNO's substantial proven and probable producing oil reserves under existing arrangements that permit cash flow generation covering the forecast period and (iv) DNO's ability to reduce investment expenditure and its announcements made in this regard in March 2020.

For the Consolidated Financial Statements of the Group, the going concern assessment for the DNO Group was reviewed in detail by the Board of Directors for the period up to end December 2021. A base case oil price of USD 30 per barrel Brent in 2020 and USD 40 per barrel Brent in 2021 was assumed. Stress testing of the cash flow was carried out at varying oil price assumptions (USD 20 per barrel in 2020 and USD 30 per barrel in 2021) and disruption to receipt of oil revenues in Kurdistan. The bond covenants and reserved based lending covenants were also reviewed with forecast minimum cash, equity and EBITDAX (earnings before interest, tax, depreciation, amortisation and exploration expense) compared to the covenant limits throughout the going concern time period under both the base case and stress test case. The equity covenant is most sensitive under a severe downside but there remains forecast headroom under the stress test case over the relevant going concern period.

The assessment includes a number of mitigations to protect liquidity

2. Summary of Significant Accounting Policies (continued)

as reflected in DNO's 18 March announcement which the Board of Directors considers are realistic.

In making these assessments the Board of Directors noted the uncertainty caused by the ongoing coronavirus pandemic and its effect on global markets, including (in conjunction with the effects of OPEC+ disputes) oil price. This uncertainty increases the difficulty of forecasting future cash flow.

Based on its assessment of this analysis, the Board of Directors has a reasonable expectation that the DNO Group will be able to continue in operation and manage its liabilities as these fall due over the 12-month period to April 2021.

New Standards Adopted by the Group

There were no standards that have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2019 that had a material impact on the Group. IFRS 16 Leases was adopted at 1 January 2019 as detailed further under Leases below and in Note 22 but did not have a material impact on the Group.

Investments in Subsidiaries

A subsidiary is an entity over which the Group has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

Acquisition of subsidiaries is accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value. Goodwill is recognised on acquisition of subsidiaries and it represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired.

Subsidiaries are fully consolidated from the date of acquisition or incorporation, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the Group, using consistent accounting policies.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Profit or loss and each component of Other Comprehensive Income ("OCI") are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated

on consolidation for the controlling interest share.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

In the Parent Company Financial Statements, investments in subsidiaries are held at cost less impairment. Cost is the fair value of consideration given. Investments in subsidiaries are subject to the same impairment assessment as investments in Associates and Joint Ventures as explained below.

Joint Ventures

A Joint Venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the Joint Venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's investments in Joint Ventures are accounted for using the equity method. Under the equity method, the investment in a Joint Venture is initially recognised at cost.

2. Summary of Significant Accounting Policies (continued)

The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the Joint Venture since the acquisition date. Goodwill relating to the Joint Venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. The income statement reflects the Group's share of the results of operations of the Joint Venture.

On acquisition of the investment, any difference between the cost of the investment and the Group's share of the net fair value of the investee's identifiable assets and liabilities is accounted for as:

- Goodwill relating to a Joint Venture and is included in the carrying amount of the investment. Such goodwill is not amortised; and
- Any excess of the Group's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment ("negative goodwill") is included as income in the determination of the entity's share of the Joint Venture's profit or loss in the period in which the investment is acquired.

Appropriate adjustments to the Group's share of the Joint Venture's profit or loss after acquisition are made in order to account, for example, for depreciation of the depreciable assets (and related deferred tax, if any) based on their fair values at the acquisition date.

Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the Joint Venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity.

The aggregate of the Group's share of profit or loss of a Joint Venture represents profit or loss after tax

and non-controlling interests in the subsidiaries of the Joint Venture.

The financial statements of the Joint Venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group (IFRS).

The impact of reciprocal interests between the Group and its investees is eliminated before the Group accounts for its share; the Group also reduces its equity and investment balance by its effective interest in its own shares.

After application of the equity method, the Group evaluates whether there are any potential impairment indicators as per IFRS 9. If there is an indication that the Group's interests in a Joint Venture may be impaired, an impairment test as per IAS 36 is conducted. The entire carrying amount of the investment in the Joint Venture is compared to the recoverable amount, which is the higher of value-in-use or fair value less cost of disposal. Value-in-use is calculated by the present value of the Group's share of the Joint Venture's future cash flows, including any proceeds from future disposals. If the carrying amount exceeds the recoverable amount, the excess is recorded as impairment in the income statement.

If in a subsequent period, the amount of impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss should be reversed through profit or loss. The reversal of a previous impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases; however the maximal impairment reversal is limited to what that carrying amount would have been (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

The most recent detailed calculation made in a preceding period of the recoverable amount of a Group's

interests in a Joint Venture may be used in the impairment test of that investment in the current period, provided that (i) the most recent recoverable amount calculation resulted in an amount that exceeded the carrying amount of the investment by a substantial margin, and (ii) based on an analysis of events that have occurred and circumstances that have changed since the most recent recoverable amount calculation, the likelihood that a current recoverable amount determination would be less than the current carrying amount of the investment is remote.

Interest in Jointly Controlled Operations (Assets)

A joint arrangement is present when the Company (or one of its subsidiaries) holds a long-term interest which is jointly controlled by the Company (or one of its subsidiaries) and one or more other parties under a contractual arrangement in which decisions about the relevant activities require the unanimous consent of the parties sharing control. Such joint arrangements are classified as either joint operations or joint ventures.

Under IFRS 11 *Joint Arrangements*, a joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities. Oil and gas licenses held by the Group which are within the scope of IFRS 11 have been classified as joint operations.

The Group recognises its investments in joint operations by reporting its share of related revenues, expenses, assets, liabilities and cash flows under the respective items in the Consolidated Financial Statements.

For those licenses that are not deemed to be joint arrangements pursuant to the definition of IFRS 11, either because unanimous consent is not required among all parties involved, or no single group of parties has joint control over the activity, the Group recognises its share of related expenses, assets, liabilities and cash flows under the respective items in

2. Summary of Significant Accounting Policies (continued)

the Consolidated Financial Statements in accordance with applicable IFRS standards. In determining whether each separate arrangement related to the Group's joint operations is within or outside the scope of IFRS 11, the Group considers the terms of relevant license agreements, governmental concessions and other legal arrangements impacting how and by whom each arrangement is controlled.

Farm-in and Farm-out

A farm-in or farm-out of an oil and gas license takes place when the owner of the working interest (the "farmor") transfers all or a portion of its working interest to another party (the "farmee") in return for an agreed upon consideration and/or action, such as conducting subsurface studies, drilling wells or developing the asset. Any cash consideration received directly from the farmee is credited against costs previously capitalised in relation to the whole interest with any excess accounted for by the farmor as a gain on disposal. The farmee capitalises or expenses its costs as incurred according to the accounting method it is using. There are no accruals for future commitments in farm-in/farm-out agreements in the exploration and evaluation phase and no profit or loss recognised by the farmor. In the development or production phase a farm-in/farm-out agreement will be treated as a transaction recorded at fair value as represented by the costs carried by the farmee. Any gain or loss arising from the farm-in/farm-out is recognised in the statement of comprehensive income.

License swaps

License swaps are calculated at the fair value of the asset being exchanged, unless the transaction lacks commercial substance, or neither the fair value of the asset received, nor the fair value of the asset divested, can be effectively measured. In the exploration phase, the Group normally recognises license swaps based on historical cost basis, as the fair value is often difficult to measure. If the transaction

is determined to be a business combination, the requirements of IFRS 3 apply.

Business Combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value. Acquisition related costs are expensed as incurred, unless the acquisition is related to an acquisition of an Associate or Joint Venture, in which case such costs are added to the initial investment cost.

The goodwill that is recognised by the DNO Group is related to technical goodwill, and is recognised due to the requirement to recognise deferred tax for the difference between the assigned fair values and the related tax base. The fair values of the DNO Group's licences in the North Sea are based on cash flows after tax. This is because these licences are sold only on an after-tax basis. The purchaser is therefore not entitled to a tax deduction for the consideration paid above the seller's tax values. In accordance with IAS 12, a provision is made for deferred tax corresponding to the tax rate multiplied by the difference between the fair values of the acquired assets and the transferred tax depreciation basis (i.e., tax values). The offsetting entry to this deferred tax is goodwill. Hence, goodwill arises as a technical effect of deferred tax. Technical goodwill is tested for impairment separately for each cash generating unit which give rise to the technical goodwill. A cash generating unit may be individual oil fields, or a group of oil fields that are connected to the same infrastructure/production facilities, or a license.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group as acquirer reports in its Consolidated Financial Statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, the Group will retrospectively adjust the provisional amounts recognised at

the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date which, if known, would have affected the measurement of the amounts recognised as of that date. During the measurement period, the acquirer shall also recognise additional assets or liabilities if new information is obtained about facts and circumstances that existed as of the acquisition date which, if known, would have resulted in the recognition of those assets and liabilities as of that date. The measurement period ends as soon as the acquirer receives the information it was seeking about facts and circumstances that existed as of the acquisition date or learns that more information is not obtainable. However, the measurement period shall not exceed one year from the acquisition date.

Pre-existing contractual relationships between acquirer and acquiree are recognised separately from the business combination.

For an acquisition of a group of assets that does not constitute a business, all acquired assets and liabilities will be identified and the cost of the transaction is allocated to the assets acquired and liabilities assumed based on their relative fair values at the date of purchase. No goodwill arises on the transaction. For acquisition of oil and gas licenses, individual assessment is made whether the acquisition should be treated as a business combination or as an asset purchase. Generally, purchases of licenses in a development or production phase will be regarded as a business combination, while purchases of licenses in the exploration phase will be regarded as an asset purchase.

Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Chief Operating Decision Maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Chairman of the Board of Directors.

2. Summary of Significant Accounting Policies (continued)

Foreign Currency Translation and Transactions

Functional Currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Consolidated and Parent Company Financial Statements are presented in USD, which is the Company's presentation currency.

Transactions and Balances

Transactions in foreign currencies are recorded in the functional currency at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date. All differences are taken to profit or loss. Foreign exchange gains or losses resulting from changes in the fair value of non-monetary financial assets classified as equity instruments are recognised directly in other comprehensive income.

At the reporting date, the assets and liabilities of Group companies with functional currencies other than USD are translated into USD at the rate of exchange ruling at the reporting date and their income statements are translated at the weighted average exchange rates for the year or each month. Equity is translated at historical rates. The differences arising on the translation are taken directly to the consolidated statement of other comprehensive income. On disposal of an entity, the deferred cumulative foreign currency translation differences recognised in equity relating to that entity are recognised in profit or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

Classification in the Statement of Financial Position

Current assets and short-term liabilities include items due less than a year from the statement of financial position date, and if longer, items related to the operating cycle. The current portion of long-term debt is included under current liabilities. Investments in shares held for trading are classified as current assets, while strategic investments are classified as non-current assets. Other assets and liabilities are classified as non-current assets and non-current liabilities.

Fair Value

Financial instruments such as investments in equity instruments are measured at fair value at each balance sheet date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows:

- Level 1 — Quoted market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

Investments in equity instruments, where available, are measured at quoted market prices at the measurement date.

Property, Plant and Equipment and Intangible Assets

General

Property, Plant and Equipment ("PP&E") acquired by the Group are recognised at historical cost and adjusted for depreciation, depletion and amortisation ("DD&A") and impairment charges. The carrying amount of the PP&E in the statement of financial position represents the cost less accumulated DD&A and accumulated impairment charges.

The unit-of-production method is used in the depreciation of oil and gas assets. The rate of depreciation is equal to the ratio of oil and gas production for the period over the estimated remaining proven and probable reserves.

Other fixed assets in use (excluding oil and gas properties) are generally depreciated on a straight-line basis at rates varying from three to seven years. Expected useful lives are reviewed at each statement of financial position date and, where there are changes in estimates, depreciation periods are changed accordingly.

Ordinary repairs and maintenance costs, defined as day-to-day servicing costs, are charged to profit or loss during the financial period in which they are incurred. The cost of major workovers is included in the asset's carrying amount when it is likely that the Group will derive future financial benefits exceeding the originally assessed standard performance of the existing asset. Gains and losses on disposals are determined by comparing the disposal proceeds with the carrying amount and are included in operating profit. Assets held for sale are reported at the lower of the carrying amount and the fair value, less selling costs.

Intangible assets are stated at cost, less accumulated amortisation and accumulated impairment charges. Intangible assets include acquisition costs for oil and gas licenses, expenditures on the exploration for

2. Summary of Significant Accounting Policies (continued)

oil and gas resources, goodwill and other intangible assets. The useful lives of intangible assets are assessed as either finite or infinite. Amortisation of intangible assets is based on the expected useful economic lives and assessed for impairment whenever there is an indication that the intangible asset might be impaired. The impairment review of intangible assets with infinite lives is undertaken annually.

Exploration and Development Cost for Oil and Gas Assets

The Group uses the successful efforts method to account for exploration, appraisal and development costs, where exploration costs are expensed as incurred.

However, drilling costs of exploration wells are temporarily capitalised pending the determination of oil and gas reserves. These costs include directly attributable employee remuneration, materials and fuel used, rig costs and payments made to contractors. If reserves are not found, or if discoveries are assessed not technically or commercially recoverable, the costs of exploration wells are expensed. Geological and geophysical costs are generally expensed as incurred.

Costs of acquiring licenses are capitalised within intangible assets and amortised over the period of the license using the unit-of-production method. An assessment for impairment is made at each reporting date. This assessment involves confirming that exploration drilling is still under way or firmly planned or, alternatively, that it has been determined or that work is under way to determine that a discovery is economically viable. If no future activity is planned, the carrying amount of the license acquisition costs or capitalised exploration well costs are written off through profit or loss. Upon recognition of proven reserves and internal approval for development, the relevant expenditure is transferred to oil and gas license development asset.

For accounting purposes, the field enters into the development phase when the partners in the license make the commercial decision to do so. All costs of developing commercial oil and/or gas fields are capitalised, including indirect costs. Pre-operating costs are expensed in the period in which they are incurred. Capitalised development costs are classified as tangible assets.

Oil and Gas Assets in Production

Capitalised costs for oil and gas assets are depreciated using the unit-of-production ("UoP") method. The rate of depreciation is equal to the ratio of oil and gas production for the period over the estimated remaining proven and probable reserves at the beginning of the period. The future development expenditures necessary to bring those reserves into production are included in the basis for depreciation and are estimated by the management based on current period-end un-escalated price levels. The reserve basis used for depreciation purposes is updated at least once a year. Any changes in the reserves affecting UoP calculations are reflected prospectively.

The Group has previously depreciated its oil and gas assets in the Kurdistan region of Iraq ("Kurdistan") over the estimated remaining proven developed reserves. Following a review of the depreciation method, effective 1 January 2019, the Group changed the reserves basis from proven developed reserves to proven and probable reserves. The change in the depreciation method is reflected prospectively as a change in estimate under *IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors*. This change in accounting estimate resulted in USD 85 million less depreciation of the Kurdistan assets.

Borrowing Cost

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets (such as PP&E assets), which are assets that necessarily take a substantial period of time to make ready for their intended use or sale, are capitalised and added to the cost of those assets until such time as the

assets are substantially ready for their intended use or sale. Borrowing costs consist of interest and other costs that the Group incurs in connection with the borrowing of funds.

All other borrowing costs are expensed and recognised in profit or loss in the period in which they are incurred.

The capitalisation of borrowing costs is recorded based on the average interest rate for the Group in the period. The capitalised borrowing costs cannot exceed the actual borrowing costs in each period.

Component Cost Accounting/Decomposition

The Group allocates the amount initially recognised in respect of an item of PP&E to its significant parts and depreciates separately each such part over its useful life. The Group has identified the oil and gas field (or group of oil and gas fields) or license level as the lowest level at which separate cash flows can be identified. This means that there is no decomposition beyond the license level. A plan for development is usually defined for each field taking into consideration exploration wells, production wells and infill wells.

Impairment/Reversal of Impairment of Non-financial Assets

PP&E, Intangible Assets and Investments in Associates or Joint Ventures are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Goodwill is assessed annually for impairment.

Indications of impairment may include a decline in the price of oil and gas, changes in future investments or changes in reserve estimates. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separable identifiable cash inflows. An oil and gas license is defined as a cash generating unit. An impairment loss is recognised when the carrying amount exceeds the recoverable amount of an

2. Summary of Significant Accounting Policies (continued)

asset. The recoverable amount is the higher of the asset's fair value less costs of disposal and its value-in-use. The value-in-use is determined by reference to discounted future cash flows expected to be generated by the asset.

In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

Goodwill is tested as part of the cash generating unit.

When performing the impairment test for technical goodwill, deferred tax recognised in relation to the acquired licences reduces the net carrying value prior to the impairment charges.

Except for goodwill, a previously recognised impairment loss is reversed through profit or loss only if there has been a change in the estimates used to determine the recoverable amount. It is not reversed to an amount that would be higher than if no impairment loss had been recognised. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial instruments are initially recognised at fair value. After initial recognition the measurement and accounting treatment depend on the type of instrument and classification.

Financial instruments that are not derivatives consist of trade receivables and other receivables, cash and cash equivalents, loans, trade payables and other payables.

Finance assets

Financial assets are classified at initial recognition, and subsequently measured at:

- Amortised cost;
- Fair value through other comprehensive income ("FVTOCI"); and
- Fair value through profit or loss ("FVTPL").

Financial Assets at Amortised Cost

Financial assets are measured at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. The Group's financial assets at amortised cost include trade and other receivables.

Financial Assets Designated at FVTOCI

Upon initial recognition, equity investments can be irrevocably classified as equity instruments designated at FVTOCI. Gains and losses on these financial assets are not recycled to profit or loss at later periods. Equity instruments designated at FVTOCI are not subject to impairment assessment.

Financial Assets Designated at FVTPL

Financial assets designated at FVTPL

include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily required to be measured at fair value. Financial assets designated at FVTPL are carried in the statements of financial position at fair value with net changes in fair value recognised in profit or loss. Dividends on listed equity investments are also recognised as other income in profit or loss when the right of payment has been established. The Group does not have significant assets designated at FVTPL.

Impairment of Financial Assets

An allowance is recognised for expected credit losses ("ECL"s) for all debt instruments not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that are expected to be received, discounted at an approximation of the original effective interest rate.

ECLs are recognised in two stages. For credit exposures with no significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months. For credit exposures with significant increase in credit risk since initial recognition, a loss allowance is provided for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default.

For trade receivables a simplified approach is applied in calculating ECLs. Changes in credit risk are not tracked but instead a loss allowance based on lifetime ECLs at each reporting date is recognised.

Expected credit losses are based on a multifactor and holistic analysis and will depend on historical experience with the customers adjusted for forward-looking factors specific to the customers and the economic environment.

2. Summary of Significant Accounting Policies (continued)

Financial assets are assessed with regards to default when contractual payments are past the established payment due date and there is internal or external information indicating that the Group is unlikely to receive the outstanding contractual amounts in full. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Derecognition of Financial Assets and Liabilities

A financial asset is derecognised when:

- The Group no longer has the right to receive cash flows from the asset;
- The Group retains the right to receive cash flows from the asset but has assumed an obligation to pay them in full without material delay to a third party under a pass-through arrangement; or
- The Group has transferred its rights to receive cash flows from the asset and either has transferred substantially all the risks and rewards of the asset or has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. A bond loan is derecognised when it is repaid.

Financial Liabilities

Financial liabilities are classified at initial recognition as financial liabilities at FVTPL, loans and borrowings or payables.

All financial liabilities are recognised initially at fair value and, in the case of loans/borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables and loans.

The subsequent measurement of

financial liabilities depends on the classification. No financial liabilities have been designated at FVTPL. Interest-bearing loans are after initial recognition measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The amortisation cost is included as finance expense in the statements of comprehensive income. This applies mainly to bond loans (see Note 21).

Exchange and Modification of Debt Instruments

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, a substantial modification of the terms of an existing financial liability or a part of it (whether or not attributable to the financial difficulty of the debtor) is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Cash and Cash Equivalents

For purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash in hand, bank balances and short-term deposits with an original maturity of three months or less.

Share Capital/Equity

Ordinary Shares

Ordinary shares are classified as equity.

Preference Shares

In determining whether a preference share is a financial liability or an equity instrument, the Group assesses the particular rights attached to the share to determine whether it exhibits the fundamental characteristics of a financial liability. Preference shares which are mandatorily redeemable or redeemable at the holders' option are classified as liabilities. Preference shares which are redeemable only at the issuer's option or not redeemable are classified as equity.

Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction from the proceeds, net of any tax effects.

Treasury Shares

The Company's own equity instruments that are reacquired ("treasury shares") by the Company or subsidiaries are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss of the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised in equity.

Dividend

Liability to pay a dividend is recognised when the distribution is authorised by the shareholders. A corresponding amount is recognised directly in equity.

Financial Income and Expenses

Financial income comprises interest income, dividend income, gains on the disposal of financial investments and changes in the fair value of financial assets measured at fair value through profit or loss. Interest income is recognised as it accrues in profit or loss using the effective interest method. Dividend income is recognised in profit or loss on the date that the Company's or the Group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Financial expenses comprise interest expenses on borrowings, unwinding of the discount on provisions, changes

2. Summary of Significant Accounting Policies (continued)

in the fair value of financial assets measured at fair value to profit or loss, impairment losses recognised on financial assets and losses on financial assets recognised in profit or loss.

Foreign exchange gains or losses from financial instruments are reported as financial income or financial expenses.

Inventories

Inventories, other than inventories of oil, are valued at the lower of cost and net realisable value. Cost is determined by the first-in, first-out ("FIFO") method. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated selling expenses.

Revenue Recognition

Oil and Gas Revenue

Revenues presented in the statement of comprehensive income consist of Revenue from contracts with customers and Other revenues. The split is disclosed in Note 5.

Revenue from contracts with customers is recognised when the customer obtains control of the oil and gas, which normally will be when title passes at point of delivery.

A liability (overlift) arises when the Group sells more than its share of the production. Similarly, an asset (underlift) arises when the sale is less than the Group's share of the production. Effective 1 January 2019, overlift/underlift balances are valued at production cost including depreciation (the sales method), previously valued at net realisable value. The movements in overlift/underlift are presented as an adjustment to Cost of goods sold, previously presented as Other revenues. This change was made due to the discussion in the IFRS Interpretations Committee (IFRIC) on the topic "Sale of output by a joint operator (IFRS 11)", which was concluded in March 2019.

Tariff Income

Tariff income from processing of oil and gas in the North Sea is recognised as earned in line with underlying agreements.

Service Income

Revenues from services are recognised by the Company when the service has been performed.

Dividend Income

Dividend income is recognised by the Company when the right to receive payment is established.

Production Sharing Contracts

A Production Sharing Contract ("PSC") is an agreement between a contractor and a host government, whereby the contractor bears all of the risk and costs for exploration, development and production in return for a stipulated share of production.

The contractor recovers the sum of its investment and operating costs from a percentage of production ("cost oil"). In addition, the contractor is entitled to receive a share of production in excess of cost oil ("profit oil"). The sum of cost oil attributable to the contractor's share of costs and share of profit oil represents the contractor's entitlement under a PSC. The sum of royalties and the government's share of profit oil, including that of a governmentally controlled enterprise, represents the government take under a PSC.

Presenting its operations governed by PSCs according to the net entitlement method, the Group only recognises as revenue its working interest of oil produced after deduction of government take.

Current and Deferred Income Tax

Tax income/(expense) consists of taxes receivable/(payable) and changes in deferred tax. Taxes payable are calculated based on taxable profits and taxes receivable are calculated based on refundable exploration expenses on the Norwegian Continental Shelf ("NCS") at the current tax rates. Deferred tax and deferred tax assets

are calculated on all taxable temporary differences, provided that both of the following conditions are satisfied:

- The Group is able to control the timing of the reversal of the temporary differences; and
- It is probable that the temporary differences will reverse in the foreseeable future.

Deferred tax assets and deferred tax liabilities are recognised irrespective of when the differences are reversed. They are recognised at their nominal value and classified as non-current assets/liabilities in the statement of financial position. Taxes payable and deferred tax are recognised directly in the equity to the extent that they relate to items charged directly to equity.

A deferred tax asset is recognised only to the extent that it is probable that the future taxable income will be available against which the asset can be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and deferred tax liabilities are offset in the statements of financial position if there is a legal right to settle current tax amounts on a net basis and the deferred tax amounts are levied by the same taxing authority on the same entity or different entities that intend to realise the asset and settle the liability at the same time.

Some PSCs provide that the corporate income tax to which the contractor is subject is deemed to have been paid to the government as part of the payment of profit oil to the government or its representatives. For accounting purposes, if such notional income tax is to be classified as income tax in accordance with the IAS 12, the Group would present this as an income tax expense with a corresponding increase in revenues. This is an accounting presentation issue

2. Summary of Significant Accounting Policies (continued)

with no net impact on the statement of comprehensive income statement. Furthermore, it would be assessed whether any deferred tax asset or liability is required to be recognised equal to the difference between book values and the tax values of the qualifying assets and liabilities, multiplied by the applicable tax rate.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Employee Benefits

Pensions

The Group's pension obligations in Norway and Australia are limited to certain defined contribution plans which are paid to pension insurance plans/superannuation funds and charged to profit or loss in the period in which they are incurred. Once the contributions are paid there are no further obligations.

Bonus Plans

The Group recognises the expected cost of employee bonus payments when, and only when, the Group has a present legal or constructive obligation to make such payment as a result of past events and a reliable estimate of the obligation can be made.

Provisions and Contingent Liabilities

Provisions

A provision is recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is likely that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the obligation amount.

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset, but only if the reimbursement is virtually certain. The expense related to any provision is presented in profit or loss, net of any reimbursement (if recognised in the same period). Provisions are reviewed at each statement of financial position date and adjusted to reflect the current best estimate.

The amount of the provision is the present value of the risk-adjusted expenditures expected to be required to settle the obligation, determined using the estimated risk-free interest rate and a credit margin as the discount rate. Where discounting is used, the carrying amount of the provision increases in each period to reflect the unwinding of the discount by the passage of time. This increase is recognised as other financial expenses.

Contingent liabilities are not recognised but are disclosed unless the possibility of an outflow of resources is remote.

Asset Retirement Obligations (Decommissioning)

Provisions for decommissioning liabilities for oil and gas production facilities are initially recognised at the present value of the estimated future expenditure determined in accordance with local conditions and requirements.

A corresponding tangible fixed asset of an amount equivalent to the provision is also recognised initially. This is subsequently depreciated as part of the capital costs of the production and transportation facilities.

The asset retirement obligation provisions and the discount rates are reviewed at each balance sheet date. The discount rates used in the calculation of the present value of the asset retirement obligation is a pre-tax risk-free discount rate with the addition of a credit margin. The risk-free rate used has a maturity date that is expected to coincide with the time the removal will be affected and denominated in the same currency as the expected future expenditures. According to IFRIC 1 Changes in Existing Decommissioning, Restoration and Similar Liabilities, changes in the measurement of the asset retirement obligation resulting from a change in the timing or amount of the outflow of resources embodying economic benefits required to settle the obligation, or a change in the discount rate, are added to or deducted from the cost of the related asset. Changes in the estimated asset retirement obligation provisions will impact the cost of the related asset retirement in the period in which the estimate is revised.

2. Summary of Significant Accounting Policies (continued)

Earnings Per Share

The calculation of basic earnings per share is based on the profit attributable to ordinary shareholders of the parent using the weighted average number of shares outstanding during the year after deduction of the average number of treasury shares held over the period. The calculation of diluted earnings per share is consistent with the calculation of basic earnings per share, while giving effect to all dilutive potential ordinary shares that were outstanding during the period.

Related Parties

Parties are related if one party has the ability to directly, jointly or indirectly control the other party or exercise significant influence over the party in making financial and operating decisions. Management is also considered to be a related party.

Transactions between related parties are transfers of resources, services or obligations, regardless of whether a price is charged.

Leases

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases.

IFRS 16 Leases was issued in January 2016 and replaced IAS 17 Leases. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. At the commencement date of a lease, a lessee recognises a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term (right-of-use asset, "RoU" asset). The standard includes a number of optional practical expedients related to recognition and initial application. Lessees are required to separately recognise the interest expense on the lease liability and the depreciation expense on the RoU asset.

The Group implemented IFRS 16 on 1 January 2019. The following implementation and application policy choices were made:

IFRS 16 transition choices

- The Group has followed the modified retrospective approach, which required no restatement of comparative information.
- The Group has applied the standard to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 and therefore will not apply the standard to contracts that were not previously identified as containing a lease under IAS 17 and IFRIC 4 Determining Whether an Arrangement Contains a Lease. For leases previously classified as operating leases under IAS 17, the lease liabilities at the date of initial application are measured as the present value of the remaining lease payments. The discount rate is the lessee's incremental borrowing rate at that date. The RoU assets are measured at an amount equal to the lease liability.
- Leases for which the lease term ends within 12 months of 1 January 2019 are not reflected as leases under IFRS 16.
- RoU assets are initially reflected at an amount equal to the corresponding lease liability.

IFRS 16 policy application choices

- Short term leases (12 months or less) and leases of low value assets have not been reflected in the balance sheet but expensed or capitalised as incurred, depending on the activity in which the leased asset is used.
- Non-lease components within lease contracts are accounted for separately for all underlying classes of assets and reflected in the relevant cost category or capitalised as incurred, depending on the activity involved.

On the transition date to IFRS 16, the Group recognised in the balance sheet USD 12.9 million in RoU assets and USD 12.7 million in lease liabilities. The Group's RoU assets mainly relate to office rent including warehouse and equipment. The Group also leases computers and IT equipment with contract terms of one to three years but has elected to apply the practical expedient on low value assets and does not recognise lease liabilities or RoU assets and the leases are instead expensed when the costs are incurred. The value of these leases was USD 0.1 million. A practical expedient has been applied to not recognise lease liabilities and RoU assets for short-term leases. The value of these leases was USD 0.7 million. The Company has not recognised any leases under IFRS 16 as the leases for office space are less than 12 months and of minimal value.

2. Summary of Significant Accounting Policies (continued)

On the transition date to IFRS 16, the effect due to discounting of nominal future lease obligations was USD 3.7 million (at a 10.0 percent weighted average discount rate).

The RoU assets are depreciated linearly over the lifetime of the related lease contract.

The identified lease liabilities have no significant impact on the Group's financing, loan covenants or dividend policy. The Group does not have any residual value guarantees.

Extension options are included in the lease liability when, based on the management's judgement, it is reasonably certain that an extension will be exercised.

In the consolidated statements of comprehensive income, operating lease costs are replaced by depreciation and interest expense.

In the consolidated cash flow statement, lease payments related to lease liabilities in accordance with IFRS 16 are presented as cash flow used in financing activities.

New Standards not yet Adopted

There are no standards and interpretations issued but not yet effective expected to have a significant impact on the Group.

3. Critical Accounting Judgements and Estimates

The preparation of financial statements in conformity with IFRS requires management to make judgements and estimates that affect the application of policies and reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

3.1 Critical Judgements in Applying the Group's Accounting Policies

Control Over DNO

The Group accounts for its shareholding in DNO as a subsidiary. This is a matter of significant judgement and is therefore subject to uncertainty and challenge. In making this judgement, the Group evaluated whether its existing rights, in the form of less than the majority of the voting rights, give it the current ability to direct the activities that significantly affect the investment returns of DNO. In making that judgement, the Group took into account that (i) the Group's year-end 2019 shareholding of 40.45 percent in DNO is by far the largest, with the next 19 largest shareholders holding approximately 13 percent of the shares in aggregate and the remaining shareholdings are dispersed, (ii) the Company's Executive Chairman is also the DNO Executive Chairman, and (iii) the relevant activities are directed by the DNO Board of Directors and three of the five members of the DNO Board of Directors are independent from the Group.

Prior to 2017, the Group had concluded that there were barriers that would prevent the Group from exercising its voting rights in such a manner as to attempt to exercise control over DNO or assert that it has the ability to control DNO and the Group's voting rights therefore did not provide the practical ability to direct the activities of DNO. While this represented a significant judgement, the Group was also cognisant of the requirements of IFRS 10, which states that if it is not clear that an investor has power, the investor does not control the investee. Accordingly, the Group previously concluded that it did not control DNO and therefore historically accounted for DNO as an Associate.

Upon re-examination of the factors that influence that decision following discussion with a Review Group of the UK's Financial Reporting Council ("FRC") during 2017, the Group determined in 2017 to account for DNO on a consolidated basis rather than utilising the equity method of accounting that it had applied in prior years. The share of profit attributable to the Company's shareholders is not materially affected by this change in accounting method, however the presentation and statement of financial position is affected.

DNO's financial statements are reported in its various public filings, including its Annual Report and Accounts for 2019, which is available at www.dno.no.

As required by IFRS 10, the Group monitors its judgement in this area on a continuous basis.

3. Critical Accounting Judgements and Estimates (continued)

Revenue Recognition in Kurdistan

DNO generates revenues in Kurdistan through the sale of oil produced from the Tawke license and which is exported by pipeline through Turkey by the Kurdistan Regional Government ("KRG"). The title is considered to have passed on delivery of oil to the export pipeline at Fish Khabur. Considering the uncertainties related to timing of payments for oil deliveries, revenues were recognised upon receipt of cash payment until September 2018. Following a further assessment of facts and circumstances, effective 1 October 2018, DNO recognises revenues in Kurdistan on an accruals basis in line with invoiced oil sales following monthly deliveries to the KRG and not upon cash receipt (see Note 5 Revenue for further detail).

The PSCs held by the Group are considered to be within the scope of the standard and sale of oil and gas to customers is recognised as Revenue from contracts with customers. Based on business practice, the KRG is responsible for exporting oil produced in Kurdistan and it is assessed that DNO has a customer relationship with the KRG. It is considered that the contracts with customers contain a single performance obligation which is considered to be delivery of produced oil and gas to the customer.

Notional Income Tax/Deferred Tax Liability in Kurdistan

Under the terms of the PSCs in Kurdistan, DNO is not required to pay any corporate income taxes. The share of profit oil of which the government is entitled to is deemed to include a portion representing the notional corporate income tax paid by the government on behalf of the contractors. Current and deferred taxation arising from such notional corporate income tax is not calculated for Kurdistan, as there is uncertainty related to the tax laws of Kurdistan and there is currently no well-established tax regime for international oil companies. As such, it has not been possible to measure reliably such notional corporate income tax paid on behalf of DNO and it is the judgement of management that until a well-established tax regime is in place, the Group will not record a deferred tax liability. For further details, see Note 10.

Fair value of oil and gas assets

When determining the fair value of exploration and appraisal assets ("E&A assets") as well as development and production assets ("D&P assets") for acquisition accounting and subsequent impairment testing purposes, the Group has included future cash flows from risked contingent resources. The Group is of the view that this generally reflects the industry valuation practice of some market participants, although the extent of risking these remains judgemental.

Asset Retirement obligation

IAS 37 does not address whether an entity's own credit risk should be considered a risk specific to a liability when determining a risk-adjusted discount rate. The Group determined that predominant practice among Norwegian peer companies is to include own credit risk and therefore has increased the (previously risk-free) asset retirement obligation discount rate accordingly. The Group has not changed this practice in the current year, however asset retirement obligation provisions have now become more significant following the Group's 2019 business combinations.

3.2 Critical Accounting Estimates

Accounting estimates are employed in the Consolidated and Parent Company Financial Statements to determine reported amounts as detailed below. Although these estimates are based on management's best knowledge of historical experience, current events and actions, actual results may differ from these estimates. The estimates and the underlying assumptions are reviewed on an ongoing basis. Changes in estimates will be recognised when new estimates are available and at least at every statement of financial position date.

Estimates

The key sources of estimation uncertainty for the Group are:

<i>Key sources of estimation uncertainty</i>	<i>Main impact on accounting estimates</i>
Oil Price	DD&A, goodwill impairment, PP&E impairment, E&A and D&P asset fair value measurement upon acquisition and subsequent impairment, investment in Joint Venture impairment, deferred tax asset recognised
Risks associated with operating in Kurdistan	Goodwill impairment, PP&E impairment, E&A impairment, revenue recognition, and expected credit losses on trade receivables
Reserves and resources estimates	DD&A, goodwill impairment, PP&E impairment, E&A and D&P asset fair value measurement upon acquisition and subsequent impairment, investment in Joint Venture impairment, share of profit in Joint Venture, deferred tax asset recognised
Contingencies, provisions and litigations	Asset retirement obligation

3. Critical Accounting Judgements and Estimates (continued)

Estimation of Future Cash Flow from Operations

The Group has significant investments in Foxtrot International and DNO, including goodwill. Changes in the circumstances or expectations of future performance of an individual asset or a group of assets may be an indicator that the asset is impaired, requiring the carrying amount to be written down to its recoverable amount. Management must determine whether there are circumstances indicating a possible impairment of the investments or of goodwill and conduct an annual goodwill impairment test. The estimation of the recoverable amount for the underlying oil and gas assets includes assessments of expected future cash flows and future market conditions, including entitlement production, oil prices, risk factors, discount rate and the date of expiration of the licenses. Impairments are reversed if conditions for impairment are no longer present (except for goodwill). Evaluating whether an asset is impaired or if an impairment should be reversed requires a high degree of estimation, including market expectations concerning future oil prices. Refer to Note 12, 13 and 14 for further details.

Risks Associated with Operating in Kurdistan

As a result of the historical and legal position of Kurdistan, and the relationships of the KRG with the Federal Government of Iraq ("FGI"), the DNO Group and other international oil and gas exploration and production companies operating in Kurdistan face a number of risks specific to the region.

Most notably, the Tawke PSC was entered into with the KRG prior to the adoption of the Iraqi Constitution and the fields were not producing at the time of adoption. A successful attempt by the FGI to revoke or materially alter all PSCs in Kurdistan, including those held by the DNO Group, could disrupt or halt DNO's operations, subject the Group to contractual damages or prevent the execution of the DNO Group's strategy, any of which could have a material adverse effect on the Group's business, results of operations, financial position and prospects.

There remains uncertainty related to the receipt of proceeds from oil exported from Kurdistan (see Note 16). This risk could result in a loss of revenue to the DNO Group and adversely affect the Group's business, results of operations, recoverability of capitalised intangible assets and PP&E, financial position and prospects.

Reserves and Resources Estimates

Reserve and contingent resource volumes have been estimated and classified in accordance with the rules and guidelines of the Petroleum Resource Management System framework as approved by the Society of Petroleum Engineers and in the case of DNO are in conformity with requirements from the Oslo Børs for the reporting of reserves. All estimates of oil and gas reserves and resources involve uncertainty. The DNO Group's estimates are based on internal assessment where DNO is the operator in a license and based on information received from the operators where DNO is partner in a license. In addition, international petroleum consultants DeGolyer and MacNaughton have carried out an independent assessment of the Tawke license containing the Tawke and Peshkabar fields in Kurdistan and international petroleum consultants Gaffney, Cline & Associates have carried out an independent assessment of the North Sea assets. The DNO Group has internally assessed their remaining assets. Independent assessment of Foxtrot International's fields has been carried out by Gaffney, Cline & Associates in 2016 with internal updates by Foxtrot International since that time.

Important factors that could cause actual results to differ from the estimates include, but are not limited to: technical, geological and geotechnical conditions; economic and market conditions; oil prices; changes in government regulations; interest rates; and currency exchange rates. Specific parameters of uncertainty related to the field/reservoir include but are not limited to: reservoir pressure and porosity; recovery factors; water cut development; production decline rates; gas/oil ratios; and oil properties.

Analogy to similar fields and reservoirs has been applied when production history and information are limited and/or the field/reservoir has a complex structure. The uncertainty span is larger for fields/reservoirs with limited field information and production history compared to fields/reservoirs with longer production history. The contractors' entitlement to annual production is determined based on the PSCs and is subject to audit and confirmation by the relevant government authority in each country of operation.

3. Critical Accounting Judgements and Estimates (continued)

Future development costs (both committed and uncommitted) are estimated using assumptions as to the number of wells required to produce the commercial reserves, the cost of such wells and associated production facilities and other capital costs.

Changes in commodity prices and cost may impact economic cut-off and remaining reserves, which may change the timing of assumed decommissioning activities. Future changes to estimated reserves can also have a material effect on depreciation, impairment of oil and gas fields and operating results. The Group may also not be able to commercially develop its contingent resources that are used in impairment assessments or acquisition accounting where the fair value approach is applied.

Contingencies, provisions and litigations

By their nature, contingencies will only be resolved when one or more uncertain future event occurs or fails to occur. The assessment of the existence and potential quantum of contingencies inherently involves the exercise of significant judgement and the use of estimates regarding the outcome of future events. Management uses its judgement to evaluate certain provisions and legal disputes in order to ensure the correct accounting treatment. This includes the assessment of future asset retirement obligations, any provisions or contingent payments.

Asset retirement obligations

The Group has recognised significant provisions relating to the decommissioning of oil and gas assets at the end of the production period. Obligations associated with decommissioning assets are recognised at present value of future expenditures on the date they incur. At the initial recognition of an obligation, the estimated cost is capitalised as property, plant and equipment ("PP&E") and depreciated over the useful life of the asset (typically by unit-of-production).

It is difficult to estimate the costs for decommissioning at initial recognition as these estimates are based on currently applicable laws and regulations and are dependent on technological developments. Decommissioning activities will normally take place in the distant future, and the technology and related costs are constantly changing. The estimates cover expected removal concepts based on known technology and, in the case of offshore decommissioning, estimated costs of maritime operations, hiring of heavy-lift barges and drilling rigs. As a result, the initial recognition of the liability and the capitalised cost associated with decommissioning obligations, and the subsequent adjustment of these balance sheet items, involve the application of significant judgement. Based on the described uncertainty, there may be significant adjustments in estimates of liabilities that can affect future financial results.

4. Segment Information

Executive management monitors the operating results of its business segments separately for the purpose of making decisions about resource allocation, investment decisions and performance assessment (the Executive Chairman of the Board of Directors acts as the Chief Operating Decision Maker). Segment performance is evaluated based on the profit or loss including share price and is measured consistently with the net profit or loss in the Consolidated Financial Statements.

Operating and Reportable Segments

For management purposes, the Group is organised into two operating segments that are also reportable segments:

- DNO (Subsidiary)
- Foxtrot International (Joint Venture with interest held through Mondoil Enterprises' 50 percent ownership of Mondoil Côte d'Ivoire)

"Others" are reconciling items including head-office general and administrative transactions and balances that do not constitute separate operating segments.

4. Segment Information (continued)

The following tables include revenue, net profit and other segment information for the years ended 31 December 2019 and 2018. Assets and liabilities information regarding business segments is presented at 31 December 2019 and 2018.

USD million	DNO	Mondoil Côte d'Ivoire	Others	Eliminations	Total
Year ended 31 December 2019:					
Comprehensive Income Information:					
External sales	971.4	-	-	-	971.4
Cost of goods sold	(541.4)	-	-	-	(541.1)
Gross profit	430.0	-	-	-	430.0
Share of profit of a Joint Venture	-	2.6	-	-	2.6
Other operating income	(0.5)	-	1.6	(1.6)	(0.5)
Administrative expenses	(45.4)	-	(7.6)	1.6	(51.4)
Impairment reversal/(impairment) of oil and gas assets	(162.0)	-	-	-	(162.0)
Reversal of impairment of investment in Joint Venture	-	5.4	-	-	5.4
Exploration costs expensed	(146.4)	-	-	-	(146.4)
Segment operating result	75.6	8.0	(6.0)	-	77.7
Net finance costs (incl. interest)	(123.5)	-	(1.3)	-	(124.8)
Tax income/(expense)	121.3	-	-	-	121.3
Net profit/(loss)	73.5	8.0	(7.3)	-	74.3
Financial Position Information:					
Capital expenditures	407.9	-	-	-	407.9
Non-current assets*	2,114.7	85.7	223.1	(21.0)	2,402.5
Current assets	1,157.2	-	30.7	-	1,187.6
Total segment assets	3,271.9	85.7	253.8	(21.0)	3,590.1
Total segment liabilities	(2,110.5)	-	(15.0)	(0.3)	2,125.3
Other Segment Information:					
Sale of petroleum products**	971.4	-	-	-	971.4
Lifting costs	(199.1)	-	-	-	(199.1)
Lifting costs/bbl	(5.4)	-	-	-	(5.4)
Amortisation and depreciation	(311.8)	-	-	-	(311.8)

*DNO non-current assets is split USD 794.7 million from Kurdistan and USD 1,288.9 million from the North Sea with USD 31.1 million unallocated or eliminated.

**DNO revenue is split USD 717.1 million from Kurdistan and USD 253.5 million from the North Sea with USD 0.8 million other, unallocated or eliminated.

4. Segment Information (continued)

USD million	DNO	Mondoil Côte d'Ivoire	Others	Eliminations	Total
Year ended 31 December 2018:					
Comprehensive Income Information:					
External sales	829.3	-	-	-	829.3
Cost of goods sold	(350.6)	-	-	-	(350.6)
Gross profit	478.7	-	-	-	478.7
Share of profit of a Joint Venture	-	11.2	-	-	11.2
Other operating income	4.8	-	1.3	(1.3)	4.8
Administrative expenses	(36.7)	-	(6.4)	1.3	(41.8)
Other operating expenses	(3.4)	-	-	-	(3.4)
Impairment reversal/(impairment) of oil and gas assets	(1.9)	-	-	-	(1.9)
Reversal of impairment of investment in Joint Venture	-	8.7	-	-	8.7
Impairment goodwill	-	-	-	-	-
Exploration costs expensed	(64.7)	-	-	-	(64.7)
Segment operating result	376.8	(20.0)	(5.1)	-	391.7
Net finance costs (incl. interest)	(54.3)	-	(1.9)	-	(56.3)
Tax income/(expense)	31.8	-	-	-	31.8
Net profit/(loss)	354.3	20.0	(7.0)	-	367.2
Financial Position Information:					
Capital Expenditures	138.0	-	-	-	138.0
Non-current assets*	1,028.7	94.2	223.1	(17.9)	1,328.2
Current assets	975.5	-	39.3	-	1,014.7
Total segment assets	2,004.3	94.2	262.4	(17.9)	2,342.9
Total segment liabilities	(786.5)	-	(22.7)	(0.1)	809.1
Other Segment Information:					
Sale of petroleum products**	829.3	-	-	-	829.3
Lifting costs	(90.4)	-	-	-	(90.4)
Lifting costs/bbl	(3.0)	-	-	-	(3.0)
Amortisation and depreciation	(260.1)	-	-	-	(260.1)

*DNO non-current assets is split USD 785.3 million from Kurdistan and USD 8.3 million from the North Sea with USD 235.1 million unallocated or eliminated.

**DNO revenue is split USD 811.3 million from Kurdistan and USD 18.1 million from Oman with USD 0.0 million unallocated or eliminated.

During 2019, oil production from Kurdistan was delivered to the KRG for export by pipeline through Turkey. Country-by-country reporting for companies in extractive industries in line with the Norwegian Accounting Act is available on the DNO website for DNO's licenses.

5. Revenues

USD million	2019	2018
Sale of oil	918.1	829.3
Sale of gas	36.5	-
Sale of natural gas liquids ("NGL")	13.0	-
Tariff income	3.7	-
Total revenues from contracts with customers	971.4	829.3

During 2019, sale of oil from Kurdistan was USD 717.1 million and in the North Sea USD 201.0 million. Sale of gas was USD 36.5 million, entirely from the North Sea. Sale of NGL in the North Sea was USD 12.2 million and in Oman USD 0.8 million. Tariff income was USD 3.7 million, entirely from the North Sea.

The 2018 revenues included a recognition of an additional revenue from the sale of oil of USD 182.8 million following a change in Kurdistan revenue recognition.

6. Cost of Goods Sold/Inventory

USD million	2019	2018
Lifting costs	(199.1)	(90.4)
Tariff and transportation expenses	(37.7)	-
Production cost based on produced volumes	(236.8)	(90.4)
Movement in overlift/underlift	7.2	-
Production cost based on sold volumes	(229.6)	(90.4)
Depreciation, depletion and amortisation	(311.8)	(260.1)
Total cost of goods sold	(541.4)	(350.6)

Lifting costs consist of expenses related to the production of oil and gas, including operation and maintenance of installations, well intervention activities and insurances. Tariff and transportation expenses consist of charges incurred by the DNO Group for the use of infrastructure owned by other companies in the North Sea.

USD million	2019	2018
Spare parts and drilling equipment	28.2	8.3
Total inventory	28.2	8.3

Total inventory of USD 28.2 million at year-end 2019 was related to Kurdistan (USD 12.3 million) and the North Sea (USD 15.9 million). In 2018, total inventory related entirely to Kurdistan. In 2019, the provision for obsolete inventory in Kurdistan was USD 18.1 million (unchanged from year-end 2018). In 2018, spare parts of USD 3.9 million were reclassified to PP&E in Kurdistan.

7. General and Administrative Expenses

USD million	2019	2018
Salaries, bonuses, etc	(53.7)	(36.8)
Employers payroll tax expenses	(7.5)	(2.7)
Pensions	(3.7)	(2.2)
Other personnel costs	(4.7)	(4.7)
Reclassification of salaries and social expenses to lifting costs and exploration costs/PP&E and intangible assets	77.0	36.0
Other general and administrative expenses	(39.4)	(31.4)
Other operating expenses	(19.3)	(3.4)
Total salaries and social expenses	(51.4)	(45.2)

Salaries and social expenses directly attributable to license activities are reclassified to lifting costs and exploration costs, or PP&E and intangible assets (i.e., capitalised exploration). Other operating expenses in 2019 were mainly related to provisions in Yemen, see Note 23.

General and administrative expenses of the Company were USD 7.6 million in 2019 (2018: USD 6.4 million).

Company - Average Number of People Employed

	2019	2018
Average number of people employed (including executive Directors):		
Management	4	3
Administration	3	3
Total average headcount	7	6

Group - Average Number of People Employed

	2019	2018
Average number of people employed (including executive Directors):		
Management	15	10
Other (administration, operations etc)	1,310	1,069
Total average headcount	1,325	1,079

Auditors' Remuneration

During the year the Company and DNO obtained the following services from the Company's auditors, Ernst & Young LLP,

7. General and Administrative Expenses (continued)

DNO's auditors, Ernst & Young AS, and their associates:

USD million	2019	2018
Audit of Company	(0.66)	(0.63)
Audit of Subsidiaries	(0.82)	(0.55)
Total audit	(1.48)	(1.18)
Tax advisory services - DNO	(0.07)	(0.04)
Other advisory services - DNO	(0.02)	(0.04)
Total non-audit	(0.09)	(0.08)
Total auditors' remuneration	(1.57)	(1.26)

8. Exploration Expenses

USD million	2019	2018
G&G and field surveys	(17.6)	(13.8)
Seismic costs	(22.0)	(18.0)
Exploration costs capitalised in previous years, subsequently expensed	(27.8)	-
Exploration costs capitalised during the year, subsequently expensed	(47.9)	(8.2)
Other exploration costs expensed	(31.2)	(24.8)
Total exploration expenses	(146.4)	(64.7)

Total exploration expenses of USD 146.4 million incurred by DNO in 2019 were mainly related to activities in the North Sea, including purchase of seismic data and expensing of exploration wells previously capitalised. Total exploration expenses of USD 64.7 million incurred by DNO in 2018 were mainly related to exploration activities in the North Sea and provisions for exploration in Tunisia. The Company incurred no exploration expenses directly.

9. Financial Income and Financial Expenses

USD million	2019	2018
Interest income	9.6	10.1
Exchange rate gain, realised items	-	2.6
Total financial income	9.6	12.7
Interest expenses	(90.4)	(47.0)
Impairment of financial assets	-	0.2
Other financial expenses	(43.2)	(16.6)
Exchange rate loss, unrealised items	(0.8)	(1.9)
Exchange rate loss, realised items	-	(2.9)
Total financial expenses	(134.4)	(68.9)
Net financial income/(expenses)	(124.8)	(56.3)

Other financial expenses are entirely related to DNO and mainly comprise of amortisation of issue costs related to DNO's bonds (see Note 21), premium on bond buybacks carried out by DNO (see Note 21) and accretion expenses (unwinding of discount) related to asset retirement obligations and lease liabilities (see Note 22). Interest expenses include USD 1.3 million of interest on the loan with Mashreq Bank during 2019 and USD 1.7 million during 2018. The remainder relates to interest paid by DNO on its bonds.

10. Income Tax

USD million	2019	2018
Tax income/(expense)		
Changes in deferred taxes	6.8	3.9
Income tax receivable/(payable)	114.5	27.9
Total tax income/(expense)	121.3	31.8

10. Income Tax (continued)

USD million	31 December 2019	31 December 2018
Income tax receivable/(payable)		
Tax receivables (non-current)	-	-
Tax receivables (current)	164.8	28.3
Income tax payable	(0.2)	(0.5)
Net income tax receivable/(payable)	164.5	27.8

USD million	2019	2018
Reconciliation of the year's income tax		
Profit/(loss) before income tax	(47.0)	335.4
Expected income tax according to nominal tax rate in Norway, 22 percent (23 percent in 2018)	(4.1)	(75.7)
Expected income tax according to nominal tax rate in Norway, 56 percent (55 percent in 2018)	139.9	24.1
Expected income tax according to nominal tax rate outside Norway	27.0	2.7
Taxes paid in kind under PSCs	-	(1.5)
Tax effect of Joint Venture results, reported net of tax	0.5	2.3
Tax effect of expenses that are not deductible in determining taxable profit	(1.6)	(5.1)
Tax effect of income not subject to tax	1.1	2.9
Foreign exchange variations between functional and tax currency	-	(21.9)
Adjustment of previous years	0.1	-
Adjustment of deferred tax assets not recognised	(30.2)	(14.7)
Change in previous years	1.2	-
Other items (other permanent differences)	(12.6)	117.4
Change in tax rate	-	(4.0)
Tax loss carried forward (utilised)	-	5.5
Tax income/(expense)	121.3	31.8
Taxes charged to equity	-	-

USD million	2019	2018
Tax effects on temporary differences relate to the following items:		
Tangible assets	(285.5)	-
Intangible assets (including capitalised exploration expenses)	(197.5)	(0.2)
Abandonment retirement obligation provision	283.1	-
Other temporary differences	21.5	(1.1)
Non-deductible interest carried forward	11.5	9.9
Tax losses carried forward	166.5	101.4
Deferred tax assets/(liabilities)	(0.3)	110.1
Valuation allowance	(153.6)	(103.1)
Deferred tax assets/(liabilities)	(153.9)	7.0
Recognised deferred tax assets	63.7	7.0
Recognised deferred tax liabilities	(217.6)	-

Under the terms of the PSCs in Kurdistan, DNO is not required to pay any corporate income taxes. The share of profit oil which the government is entitled to is deemed to include a portion representing the notional corporate income tax paid by the government on behalf of the contractors. Current and deferred taxation arising from such notional corporate income tax is not calculated for Kurdistan, as there is uncertainty related to the tax laws of Kurdistan and there is currently no well-established tax regime for international oil companies. As such, it has not been possible to reliably measure such notional corporate income taxes deemed to have been paid on behalf of DNO. This is an accounting presentational issue and there is no tax required to be paid by DNO. For accounting purposes, if such notional corporate income tax was to be classified as income tax in accordance with the IAS 12, it would result in a gross up of revenues with a corresponding income tax expense with no net impact on the statement of comprehensive

10. Income Tax (continued)

income. Furthermore, it would be assessed whether any deferred tax asset or liability is required to be recognised equal to the difference between book values and the tax values of the qualifying assets and liabilities, multiplied by the applicable tax rate.

The tax income, tax receivable and recognised deferred tax assets/(liabilities) relate to activities on the Norwegian Continental Shelf ("NCS") and the UK Continental Shelf ("UKCS"). DNO Norge AS, a wholly-owned subsidiary of DNO which carries out the DNO Group's activities on the NCS, is subject to the provisions of the Norwegian Petroleum Taxation Act. Revenues from activities on the NCS are liable to ordinary company tax and special tax. From 1 January 2019, the general corporate tax rate is 22 percent with additional special tax at a rate of 56 percent. As the subsidiary is not yet in a tax payable position, it can claim a 78 percent refund of the eligible exploration costs limited to taxable losses for the year. The exploration tax refund is paid out in November-December in the subsequent year. Tax receivables at year-end include an exploration tax receivable on the NCS, a tax receivable in relation to decommissioning on the UKCS and a tax receivable in relation to the cessation of petroleum activity by DNO North Sea (Norge) AS (formerly a Faroe entity) on the NCS. In the UK the ordinary tax rate is 19 percent with an additional special tax rate of 21 percent for the UKCS.

The impairment charges during 2019 relating to technical goodwill are not deductible for tax purposes and are presented as a permanent tax difference in the reconciliation above. The impairment charge related to the Schooner and Ketch fields in the UKCS gave rise to increased temporary tax differences and deferred tax assets on the asset retirement obligation provision.

A deferred tax asset has been recognised on petroleum activities in Norway and the UK in relation to carry forward losses and temporary differences as it has been considered probable that taxable profits or tax refunds will be available to utilise these deferred tax assets. A valuation allowance was recognised relating to carried forward losses in Norway (ordinary tax regime) and the UK due to the uncertainty regarding future taxable profits. The increase in deferred tax assets/(liabilities) compared to 2018 is mainly due to the acquisition of Faroe, see Note 29.

There are no tax consequences attached to items recorded in other comprehensive income.

From 2013, profits from foreign oil activities are no longer taxable in Norway in accordance with the General Tax Act, section 2-39. Further, from 2013, foreign exploration expenses are no longer tax deductible. Under these rules only certain financial income and expenses are taxable in Norway. Permanent tax differences related to this are included in the table above.

Reconciliation of change in deferred tax assets/(liabilities)

USD million	31 December 2019	31 December 2018
Tax effects on temporary differences relate to the following items:		
Net deferred tax assets/(liabilities) at 1 January	7.0	3.5
Change in deferred taxes in the income statement	6.8	3.9
Deferred taxes related to business combinations and other transactions	(111.7)	-
Reclassification to tax receivable	(66.4)	-
Currency and other movements	10.5	(0.4)
Net deferred tax assets/(liabilities) at 31 December	(153.9)	7.0

Reconciliation of change in tax receivable/(payable)

USD million	31 December 2019	31 December 2018
Tax effects on temporary differences relate to the following items:		
Tax receivable/(payable) at 1 January	27.8	33.0
Tax receivable/(payable) in the income statement	114.5	28.2
Tax receivable/(payable) related to transactions posted directly to balance sheet	15.5	0.8
Tax payment/(refund)	(56.9)	(33.2)
Prior period adjustment	(0.2)	-
Reclassification from deferred tax asset	66.4	-
Currency and other movements	(2.6)	(1.0)
Tax receivable/(payable) at 31 December	164.5	27.8

11. Earnings/(Loss) Per Share

Basic earnings per share amounts are calculated by dividing net profit or loss for the period by the weighted average number of Class A and Restricted Class A Shares outstanding during the period. Diluted earnings per share are calculated by adjusting the weighted average number of Class A Shares and Restricted Class A Shares outstanding assuming conversion of all potentially dilutive Class A Shares.

The information necessary to calculate basic and diluted earnings per share is as follows:

USD million	2019	2018
Group		
Earnings:	32.4	161.0
Profit/(loss) for the year attributable to the shareholders of the parent		
Adjustment on dilution of profit	-	-
Profit/(loss) for the year adjusted for the effect of dilution	32.4	161.0
No. of Shares:	315,336,212	327,814,705
Weighted average number of Class A Shares and Restricted Class A Shares excluding treasury shares for basic earnings per share		
Adjustment for the Company's shares held by a subsidiary (treasury shares)	(15,849,737)	(15,849,737)
Weighted average number of Class A Shares and Restricted Class A Shares adjusted for the effect of dilution	299,486,475	311,964,968
Earnings/(loss) per share (in USD)		
Basic	0.108	0.516
Diluted	0.108	0.516

12. Property Plant and Equipment/Other Intangible Assets

Depreciation, depletion and amortisation ("DD&A") is charged to cost of goods sold in the statement of comprehensive income.

Property, Plant and Equipment

USD million	Development assets	Production assets	Total oil & gas assets	Other PP&E	RoU	Total
At 1 January 2019						
Accumulated costs	42.1	2,019.6	2,061.7	17.6		2,079.3
Accumulated impairments	(42.1)	(286.1)	(328.2)	(0.1)		(328.3)
Accumulated depreciation	-	(976.8)	(976.8)	(16.0)		(992.8)
Net book amount	-	756.7	756.7	1.4		758.1

Period ended 31 December 2019

Opening net book amount	-	756.7	756.7	1.4	-	758.1
Implementation of IFRS 16	-	-	-	-	12.9	12.9
Translation differences	(2.1)	1.2	(0.9)	0.1	(0.1)	(0.9)
Additions*	26.9	358.8	385.7	0.3	2.8	388.7
Business combinations**	202.7	501.8	704.5	-	2.0	706.5
Transfers	-	-	-	-	-	-
Disposals accumulated costs***	(149.2)	(332.7)	(481.9)	-	-	(482.0)
Disposals accumulated depreciation/ impairments***	-	322.9	322.9	-	-	323.0
Impairments	-	(48.5)	(48.5)	-	-	(48.5)
Depreciation charges	-	(303.1)	(303.1)	(1.8)	(3.5)	(308.4)
Closing net book amount	78.3	1,257.1	1,335.4	0.1	14.0	1,349.5

12. Property Plant and Equipment/Other Intangible Assets (continued)

At 31 December 2019

Accumulated costs	120.4	2,871.6	2,992.0	18.0	17.5	3,027.5
Accumulated impairments	(42.1)	(334.6)	(376.7)	(0.1)	-	(376.9)
Accumulated depreciation	-	(1,279.9)	(1,279.9)	(17.8)	(3.5)	(1,301.2)
Net book amount	78.3	1,257.1	1,335.4	0.1	14.0	1,349.5

Depreciation method UoP*** 3-7 years linear

*Includes changes in estimate of asset retirement (see Note 22)

**For business combinations, see Note 29

***Disposal under development assets is related to assets divested as part of the swap agreement with Equinor (see Note 29). Disposal under production assets is mainly related to Oman.

****Unit of Production

Intangible Assets

USD million	License interest	Exploration assets	Goodwill	Other	Total
At 1 January 2019					
Accumulated costs	103.9	17.4	383.1	11.2	515.6
Accumulated impairments	(20.1)	(10.8)	(160.0)	-	(190.9)
Accumulated depreciation	(60.8)	-	-	(8.0)	(68.8)
Net book amount	23.1	6.5	223.1	3.2	255.9

Period ended 31 December 2019

Opening net book amount	23.1	6.5	223.1	3.2	255.9
Translation differences	-	(7.0)	(18.2)	-	(25.3)
Additions	-	66.2	-	2.6	68.8
Business combinations*	-	268.1	553.4	-	821.5
Transfers	-	-	-	-	-
Disposals accumulated cost**	(8.1)	(5.3)	(72.6)	-	(86.0)
Disposals accumulated depreciation/ impairments	8.1	5.1	-	-	13.2
Exploration costs capitalised in previous years carried to cost	-	(12.6)	(15.3)	-	(27.8)
Impairments	-	-	(113.5)	-	(113.5)
Depreciation charges	(2.8)	-	-	(0.6)	(3.4)
Closing net book amount	20.3	321.1	557.0	5.3	903.6

At 31 December 2019

Accumulated costs	95.7	339.4	845.7	13.8	1,294.6
Accumulated impairments	(12.0)	(18.3)	(288.8)	-	(319.0)
Accumulated depreciation	(63.6)	-	-	(8.6)	(72.2)
Net book amount	20.3	321.1	557.0	5.3	903.6

Depreciation method UoP 3-7 years linear

*For business combinations, see Note 29

**Disposal acquisition costs under goodwill is related to assets divested as part of the swap agreement with Equinor (see Note 29).

For pledges over the North Sea oil and gas assets, see Note 21.

12. Property Plant and Equipment/Other Intangible Assets (continued)

Property, Plant and Equipment

USD million	Development assets	Production assets	Total oil & gas assets	Other PP&E	Total
At 1 January 2018					
Accumulated costs	42.1	1,869.1	1,911.1	21.1	1,932.3
Accumulated impairments	(42.1)	(286.1)	(328.2)	(0.1)	(328.3)
Accumulated depreciation	-	(724.9)	(724.9)	(15.8)	(740.7)
Net book amount	-	858.1	858.1	5.2	863.3

Period ended 31 December 2018

Opening net book amount	-	858.1	858.1	5.2	863.3
Translation differences	-	-	-	(0.1)	(0.1)
Additions*	-	148.8	148.8	0.4	149.3
Transfers**	-	-	-	(2.8)	(2.8)
Disposals accumulated cost	-	1.7	1.7	(1.3)	(0.4)
Disposals accumulated depreciation/ impairments	-	(1.7)	(1.7)	1.0	(0.7)
Impairments	-	-	-	-	-
Depreciation charges	-	(250.3)	(250.3)	(1.1)	(251.4)
Closing net book amount	-	756.7	756.7	1.4	758.1

USD million	Development assets	Production assets	Total oil & gas assets	Other PP&E	Total
At 31 December 2018					
Accumulated costs	42.1	2,019.6	2,061.7	17.6	2,079.3
Accumulated impairments	(42.1)	(286.1)	(328.2)	(0.1)	(328.3)
Accumulated depreciation	-	(976.8)	(976.8)	(16.0)	(992.8)
Translation differences	-	-	-	(0.1)	(0.1)
Net book amount	-	756.7	756.7	1.4	758.1

Depreciation method UoP 3-7 years linear

*Additions include recognition of estimated change on asset retirement obligation.

**Transfers include reclassification of administrative software systems (net book value) to intangible assets and spare parts previously classified as inventory.

Other Intangible Assets

USD million	License interest	Exploration assets	Goodwill	Other	Total
At 1 January 2018					
Accumulated costs	103.8	10.8	383.1	-	497.7
Accumulated impairments	(19.7)	(10.8)	(160.0)	-	(190.5)
Accumulated depreciation	(52.8)	-	-	-	(52.8)
Net book amount	31.4	-	223.1	-	254.4

Period ended 31 December 2018

Opening net book amount	31.4	-	223.1	-	254.4
Translation differences	-	(0.1)	-	-	(0.1)
Additions	0.1	6.6	-	1.2	7.9
Transfers*	-	-	-	2.8	2.8
Disposals accumulated cost	-	-	-	-	-
Disposals accumulated depreciation/ impairments	-	-	-	-	-
Impairments	(0.4)	-	-	-	(0.4)
Depreciation charges	(7.9)	-	-	(0.8)	(8.7)
Closing net book amount	23.1	6.5	223.1	3.2	255.9

12. Property Plant and Equipment/Other Intangible Assets (continued)

At 31 December 2018

Accumulated costs	103.9	17.4	383.1	11.2	515.6
Accumulated impairments	(20.1)	(10.8)	(160.0)	-	(190.9)
Accumulated depreciation	(60.8)	-	-	(8.0)	(68.8)
Translation differences	-	(0.1)	-	-	(0.1)
Net book amount	23.1	6.5	223.1	3.2	255.9

Depreciation method UoP 3-7 years linear

*Administrative software system transferred from tangible assets. Accumulated costs USD 10.0 million and accumulated depreciations USD 7.2 million

Goodwill at year-end 2018 related entirely to goodwill held in the Company's accounts relating to its investment in DNO. Goodwill recognised in 2019 arose due to DNO's business combinations, see Note 29.

Impairment Testing other than Goodwill

Impairment tests of individual cash-generating units are performed when impairment indicators are identified. IAS 36 requires that an entity assess at each reporting date whether there are any indications that an asset may be impaired. Impairment is recognised when the carrying amount of an asset or a cash-generating unit exceeds the recoverable amount. DNO has defined the license level as the lowest level at which separate cash flows can be identified. The recoverable amount is the higher of the asset's fair value less cost to sell and value-in-use. Impairment assessment of DNO's assets in Kurdistan is based on the value-in-use approach. For oil and gas assets and goodwill recognised in relation to the acquisition of Faroe, the impairment assessment at year-end 2019 was based on the fair value approach (level 3 in fair value hierarchy, IFRS 13). In the assessment of the value-in-use and fair value, the expected future cash flows are discounted to the net present value by applying a discount rate after tax. Cash flows are projected for the estimated lifetime of the fields or license (whichever is earlier), which may reflect periods longer than five years.

Below is an overview of the key assumptions applied for impairment testing purposes at 31 December 2019.

Oil and Gas Prices

Forecasted oil and gas prices are based on management's estimates and market data. This includes consideration of forward curve pricing over the period for which there is deemed to be a sufficient liquid market (first year), price forecasts that are based on observable broker and analyst consensus (next four years) and thereafter prices are inflated by two percent per year.

The nominal oil and gas price assumptions used for impairment assessments at year-end 2019 were as follows:

	2020	2021	2022	2023	2024	2025
Brent Blend (USD/bbl)	63.7	64.2	66.7	69.5	71.6	73.0
NBP (pence/therm)	36.7	47.5	47.9	48.7	50.0	51.0

Oil and Gas Price Differential

The oil and gas price differential is a differential to the marker selling price to account for the quality of the oil or gas being sold and transportation. The recoverable amount can be sensitive to the oil or gas price differential.

Oil and Gas Reserves and Resources

Future cash flows are based on management's best estimate and are calculated on the basis of proven and probable remaining reserves and additional risked contingent resources when the impairment assessments are based on the fair value approach. The recoverable amount is sensitive to changes in reserves. For more information about the determination of the reserves, reference is made to Note 3 about important accounting assessments, estimates and assumptions.

12. Property Plant and Equipment/Other Intangible Assets (continued)

Discount Rate

The discount rate is derived from DNO's working average cost of capital ("WACC"). For the value-in-use calculations, the WACC is weighted based on the debt and equity to enterprise value ratios at year-end. For the fair value calculations, WACC is derived from the capital structures of an identified peer group and market participants with consideration given to optimal structures. Cost of equity is calculated on a country-by-country basis using the Capital Asset Pricing Model and adding a country risk premium. The beta factor is based on publicly available data about DNO's beta in the value-in-use calculations, whereas the beta factors used for the fair value calculations are based on publicly available market data for the identified peer group. For the value-in-use calculations, cost of debt is based on yield-to-maturity on DNO's outstanding bonds with an upward adjustment to reflect a potential longer maturity, whereas for the fair value calculations the cost of debt is based on an identified peer group's bond loan issues.

For the value-in-use calculations, the relevant post-tax nominal discount rates used in the impairment assessments at year-end 2019 were 13.0 percent (2018: 14.8 percent) for the Kurdistan assets, 7.4 percent for the Norway assets and 8.1 percent for the UK assets. For the fair value calculations, the relevant post-tax nominal discount rates at year-end 2019 were 7.5 percent for the Norway assets and 8.1 percent for the UK assets.

Inflation and currency rates

The long-term inflation rate is assumed to be 2.0 percent independent of the underlying country or currency, which is unchanged from 2018. DNO has applied the forward curve for currency rates for the year 2020 and kept a constant exchange rate thereafter.

Impairment Charge and Reversal of PPE and Intangible Assets

The following table shows the recoverable amount and carrying amount for the cash generating units which have been impaired in 2019 and 2018.

Impairments

USD million	2019		2018	
	Impairment (-)/ reversal (+)	Recoverable/ carrying amount	Impairment (-)/ reversal (+)	Recoverable/ carrying amount
Erbil license, Kurdistan	(12.8)	-	-	16.2
Brasse, North Sea	(89.4)	39.6	-	-
Ringhorne East, North Sea	(13.9)	41.7	-	-
Schooner and Ketch, North Sea	(32.6)	-	-	-
Other cash generating units	(13.3)	61.8	(1.9)	-
Total impairment charge	(162.0)	143.1	(1.9)	16.2

During 2019, a total impairment charge of USD 162.0 million was recognised, of which USD 13.9 million was related to impairment of technical goodwill (with no tax impact) on the Ringhorne East field in the North Sea, triggered by updated production profiles, USD 89.4 million was related to impairment of technical goodwill (with no tax impact) on the Brasse discovery in the North Sea, triggered by a reduction in reserve estimate, USD 32.6 million was related to an upward revision in the cost estimate for decommissioning the Schooner and Ketch fields in the North Sea, USD 12.8 million was related to an impairment of the Erbil license in Kurdistan as DNO plans to relinquish operatorship and participation in the Erbil license effective from 21 May 2020 and USD 13.3 million was related to other cost generating units.

During 2018, the total impairment charge of USD 1.9 million related to the SL18 exploration license in Somaliland (USD 0.4 million) and the Sfax Offshore Exploration Permit in Tunisia (USD 1.5 million). DNO exited its licenses in Tunisia and Somaliland during 2018. Of the total 2018 impairment charge of USD 1.9 million, USD 0.4 million was recognised on PP&E and USD 1.5 million was recognised on inventories.

Sensitivities

The table below illustrates how oil and gas assets would have been affected by changes in the various assumptions, holding the remaining assumptions unchanged. The estimated recoverable amount related to the Tawke license is substantially higher than the carrying amount and the same sensitivity tests would not imply any impairment charges.

12. Property Plant and Equipment/Other Intangible Assets (continued)

Assumption (USD million)	Change	Change in oil and gas assets:	
		Increase in assumption:	Decrease in assumption:
Oil and gas price	+/- 15%	17.9	(109.2)
Production profile (reserves and resources)	+/- 5%	11.0	(27.2)
Decommissioning cost estimate	+/- 15%	(22.7)	22.7
Discount rate (WACC)	+/- 1%	(19.9)	8.7
Currency rate (USD/NOK)	+/- 1.0 NOK	18.4	(73.2)

Refer to Note 13 for impairment of goodwill related to the Company's investment in DNO.

License Expiry

In Kurdistan, the Tawke license expires in 2026, but DNO has the right to one automatic five-year extension (i.e., to 2031) and, if commercial production is still possible, DNO is entitled to, upon request to the KRG, a further five-year extension (i.e., to 2036). Based on DNO's current assessments, production from the Tawke license will be commercial for the duration of its contractual term and through subsequent extensions. In the North Sea, the following relevant license expiry dates applied in relation to year-end 2019 impairment assessments; the Ula Area licenses have license expiry dates that range between 2027 and 2036; the Ringhorne East license expires in 2030; the Brage license expires in 2030; the Trym license expires in 2027; the Alve license expires in 2029; the Marulk license expires in 2025; the Vilje license expires in 2021 (subject to extension); the Enoch license expires in 2024; the East Foinaven license expires in 2029; and the Fenja license expires in 2039.

13. Material Partly-owned Subsidiary

The Group currently has the following investment in a subsidiary which has a material non-controlling interest:

Subsidiary name	Country of incorporation	Percent ownership interest		Nature of Business
		2019	2018	
DNO ASA	Norway	40.45 (44.37 net of DNO treasury shares)	40.45 (41.80 net of DNO treasury shares)	Exploration and production company engaged in the acquisition, exploration, development and operation of oil and gas properties

The summarised financial information of this subsidiary is provided below. This information is based on amounts before inter-company eliminations. Changes in effective net ownership of DNO are a result of purchases of non-controlling interest in DNO as described in Note 20.

Summarised Statement of Comprehensive Income

USD million	2019	2018
Revenues	971.4	829.3
Cost of goods sold	(541.4)	(350.6)
Other operating income	(0.5)	4.8
General and administrative expenses	(45.4)	(40.1)
Impairment oil and gas assets	(162.0)	(1.9)
Exploration costs expensed	(146.4)	(64.7)
Financial income and expense	(123.5)	(54.3)
Profit/(loss) before tax	(47.8)	322.5
Income tax credit/(expense)	121.3	31.8
Profit/(loss) for the year as presented by DNO	73.5	354.3
Total comprehensive income/(loss) for the year as presented by DNO	72.3	367.7

13. Material Partly-owned Subsidiary (continued)

Summarised Statement of Financial Position

USD million	2019	2018
Current assets		
Cash and cash equivalents	485.7	729.1
Other current assets (excl. cash)	671.5	246.4
Non-current assets	2,114.7	1,028.8
Current liabilities	(623.0)	(142.7)
Non-current financial liabilities	(836.0)	(575.7)
Other non-current liabilities	(651.5)	(68.1)
Equity at 31 December	1,161.3	1,217.8

Summarised Cash Flow Information

USD million	2019	2018
Net cash from/(used in) operating activities	371.5	471.1
Net cash from/(used in) investing activities	(823.0)	(339.4)
Net cash from/(used in) financing activities	208.3	167.1
Net increase/(decrease) in cash and cash equivalents	(243.2)	298.8
Cash and cash equivalents at beginning of the period	729.1	430.2
Cash and cash equivalents at end of the period	485.7	729.1

Goodwill and Impairment Assessment

The Company's investment in DNO includes goodwill that arose from the difference between the carrying value and the recorded net identifiable asset value of DNO at acquisition date.

Impairment Assessment

IAS 36 requires an annual goodwill impairment test, comparing the recoverable amount to the carrying amount, regardless of impairment indicators. For the purpose of annual goodwill impairment testing, management determines the recoverable amount which is the higher of the fair value less costs of disposal and value-in-use.

31 December 2019

Fair value less costs of disposal based on the trend in DNO's market capitalisation (level 1 fair value hierarchy) was less than carrying amount. A value-in-use computation exceeded the carrying amount. Accordingly, there was no goodwill impairment required at 31 December 2019. Refer to Note 12 for details of the impairment assumptions used by DNO and the Company.

31 December 2018

Fair value less costs of disposal based on the trend in DNO's market capitalisation (level 1 fair value hierarchy) exceeded the carrying amount. A value-in-use computation also exceeded the carrying amount. Accordingly, there was no goodwill impairment required at 31 December 2018.

Based on the value-in-use compared to the carrying amount of the Company's investment in DNO there exists a considerable headroom due to the value-in-use of the Tawke license compared to the carrying amount of that cash generating unit. A sensitivity analysis for the Tawke license showed that a decrease in oil price of 25 percent would have eliminated the headroom. An increase in the WACC by one percent or a drop in proven and probable reserves for the Tawke license by 10 percent would not have resulted in an impairment. The sensitivity was established on the assumption that all other factors would remain unchanged.

14. Investment in a Joint Venture

General Information

The Group's subsidiary Mondoil Enterprises has a 50 percent equity interest in Mondoil Côte d'Ivoire, registered in the United States and a Joint Venture under the terms of IFRS 11 (required to be equity accounted by the Group).

Mondoil Côte d'Ivoire has a 66.67 percent equity interest in Foxtrot International. Due to different voting and contractual rights, Foxtrot International is an Associate for Mondoil Côte d'Ivoire (required to be equity accounted by Mondoil Côte d'Ivoire). Mondoil Côte d'Ivoire has one-third of Foxtrot International's total shareholder votes and can appoint one-third of the Foxtrot International Board of Directors, but Mondoil Côte d'Ivoire is entitled to two-thirds of Foxtrot International's profit and liquidation proceeds.

Foxtrot International is a Cayman Islands company engaged in oil and gas exploration and production in Côte d'Ivoire. It owns a direct 24 percent interest in Block CI-27 (joint operation). On 1 December 2014 Foxtrot International acquired a 27.27 percent stake in Energie de Côte d'Ivoire SA (ENERCI), which owns an additional 12 percent interest in Block CI-27. During 2018, Foxtrot International signed agreements for a 24 percent interest in and operatorship of two exploration blocks offshore Côte d'Ivoire, Block CI-502 (but under different terms) and Block CI-12.

Since Mondoil Côte d'Ivoire is solely a holding vehicle for Foxtrot International with no other activity or balances, the Group discloses in the table below the summarised financial information of Foxtrot International as a 33.33 percent associate in terms of summarised financial information.

Foxtrot International's Summarised Statement of Comprehensive Income/(Loss)

USD million	2019	2018
Revenue	66.7	83.3
Depreciation and amortisation	(15.1)	(20.9)
Other expenses	(13.0)	(15.3)
Other income/finance income	(4.4)	(5.9)
Income taxes	(11.1)	(13.9)
Profit/(loss) for the year as presented by Foxtrot International	32.0	39.1
Group's share of profit/(loss) for the year (33.33 percent)	10.7	13.1
Depletion of fair value uplift of Foxtrot International's proportionally acquired property, plant and equipment, net of related deferred tax	(1.6)	(1.8)
Group's share of profit/(loss) for the year adjusted for depletion of fair value uplift	9.1	11.2
Group's share of adjustment to recognise a liability relating to take-or-pay gas contract obligations (Foxtrot International USD 19.2 million)	(6.4)	-
Group's share of profit/(loss)	2.6	11.2

Foxtrot International's Summarised Statement of Financial Position

USD million	2019	2018
Current assets		
Cash	1.4	0.3
Other current assets (excl. cash)	25.2	38.5
Non-current assets	196.4	162.0
Current liabilities	(11.1)	(16.5)
Non-current liabilities	(67.6)	(2.6)
Equity	144.3	181.6
Group's share of net assets (33.33 percent)	48.1	60.5
Fair value uplift on property, plant and equipment, carrying amount (before current year impairment), net of related deferred tax	32.6	25.4
Impairment reversal/(impairment)	5.4	8.7
Other	(0.4)	(0.5)
Investment carrying amount at 31 December	85.7	94.2

According to the terms of the Block CI-27 PSC, the Government of Côte d'Ivoire pays income taxes from the state's share of profit on behalf of Foxtrot International. Therefore, the above revenue and income taxes were presented gross under IFRS [i.e., both revenue and tax line items were increased by USD 11.1 million in 2019 (USD 13.9 million in 2019)].

14. Investment in a Joint Venture (continued)

Movement of Investment Carrying Amount

USD million	2019	2018
Opening balance 1 January	94.2	94.2
Group's share of profit/(loss)	2.6	11.2
Contributions via cash calls paid during the year	6.8	2.0
Dividends received during the year	(23.3)	(22.0)
Impairment reversal/(impairment)	5.4	8.7
Interest in Joint Venture at 31 December	85.7	94.2

The carrying amount at 31 December 2019 contains cumulative past impairments of USD 3.0 million (2018: USD 8.4 million)

Impairment test

Due to the presence of impairment indicators, the assessment was updated at 31 December 2019.

The fair value less costs of disposal is based on cash flows expected to be generated from oil, condensate and gas production profiles up to the expected date of cessation of the PSC based on current estimates of reserves and resources, appropriately risked. The fair value calculation is based primarily on level 3 inputs as defined by the IFRS 13 'Fair value measurement hierarchy'. The underlying production profiles, operating and capital costs and cash flows were primarily estimated by Foxtrot International, but were validated by an international petroleum consulting firm in 2016, with internal updates by Foxtrot International since that time; therefore, management believes that these cash flows are an appropriate basis upon which to assess the investment for impairment.

Key assumptions used in the fair value less costs of disposal calculation were:

- Total proven and probable production volumes and production profiles expected to be produced within the Block CI-27 PSC term;
- Oil and gas sales prices. The gas price is set at a floor of USD 6.0 per MMBtu subject to indexation based on a basket of indices relevant to the oil and gas industry;
- Operating and capital costs and abandonment cost;
- Discount rate.

Management has used a post-tax nominal discount rate of 14.7 percent (15 percent in 2018) and believes that this discount rate considers risks and uncertainties not factored into the undiscounted cash flows. On this basis, for the current investment carrying amount before impairment testing of USD 80.3 million (USD 85.5 in 2018), an impairment reversal of USD 5.4 million (USD 8.7 million in 2018) was deemed appropriate. An increase in the discount rate by 100 basis points would have led to a reduction in the impairment reversal of USD 3.8 million (USD 4.2 million in 2018).

15. Financial Investments

Financial investments are comprised of equity instruments and are recorded at fair value (market price, where available) at the end of the reporting period. Fair value changes are included in other comprehensive income (FVTOCI). See Note 2 for more details.

USD million	2019	2018
At 1 January	212.9	-
Additions	226.3	201.3
Fair value changes through other comprehensive income (FVTOCI)	22.7	11.6
Disposal	(461.8)	-
At 31 December	-	212.9
Non-current portion	-	212.9

Financial investments include the following:

USD million	2019	2018
Listed shares:		
Faroe Petroleum plc	-	209.2
Panoro Energy ASA	-	3.6
Total financial investments	-	212.9

15. Financial Investments (continued)

During 2018, DNO acquired 111,494,028 shares in Faroe which represented 29.9 percent of the outstanding shares at year-end 2018. At year-end 2018, Faroe was listed on the UK's Alternative Investment Market ("AIM") of the London Stock Exchange. On 11 January 2019, DNO obtained control of Faroe and subsequently de-listed the company from AIM on 14 February 2019. Change in fair value prior to control being obtained was USD 19.6 million and is recognised in other comprehensive income in 2019 (USD 10.5 million in 2018). See Note 29 for more information on the acquisition of Faroe shares.

During 2018, DNO subscribed to 2,641,465 shares in Panoro Energy AS ("Panoro"), representing 5.65 percent of the outstanding shares, at a price of NOK 12.82 per share. The total acquisition price for the shares was USD 4.2 million. The share subscription followed completion of a transaction in which DNO sold its Tunisia subsidiary, DNO Tunisia AS, to Panoro. On 8 November 2019, DNO sold its shareholding in Panoro. Changes in fair value up until the sale of shares in 2019 was USD 3.1 million and is recognised in other comprehensive income (USD 0.6 million in 2018).

Disposals relate to the step acquisition of Faroe and the sale of the DNO's shares in Panoro. Prior to DNO obtaining control, the acquisition of Faroe shares was accounted for as an equity instrument.

16. Trade and Other Receivables

USD million	2019	2018
<i>Group</i>		
Trade debtors	301.1	182.8
Underlift	37.6	1.1
Other	140.3	26.2
Total trade and other receivables	479.0	210.1
USD million	2019	2018
<i>Company</i>		
Amounts due from DNO subsidiary	0.6	0.3
Amounts due from other subsidiaries	0.1	0.4
Other	0.1	0.1
Total trade and other receivables	0.8	0.8

The trade debtors at year-end 2019 relate mainly to oil deliveries from the Tawke license in Kurdistan for the period August through December 2019. DNO has since year-end received payments for Tawke oil sales for August and September 2019, totalling USD 107.1 million net to DNO.

The underlift receivable of USD 37.6 million at year-end 2019 relates mainly to DNO's North Sea licenses, valued at production cost including depreciation, which will be realised based on market value when the volumes are lifted. Other short-term receivables mainly relate to items of working capital in licenses in Kurdistan and the North Sea and accrual for earned income, not invoiced in the North Sea.

Amounts due to the Company from DNO are unsecured and have a 30-day credit term. Amounts due from subsidiaries are repayable on demand, expected to be settled in 2020, unsecured and interest free. No amounts are past due nor impaired.

17. Cash and Cash Equivalents

USD million	2019	2018
<i>Group</i>		
Restricted cash	16.3	5.2
Restricted cash, Faroe offer	-	418.1
Unrestricted cash	499.5	344.6
Total cash and cash equivalents	515.9	768.0

Un-restricted cash is entirely related to bank deposits at 31 December 2019. Of the USD 515.9 million total cash and cash equivalents at 31 December 2019, USD 485.9 million relates to cash held by DNO. USD 21.7 million relates to the Company and USD 8.3 million relates to its wholly-owned subsidiaries.

For the Company, restricted cash relates to a loan which requires that one quarter's principal repayment (USD 2.0 million) be kept in a term deposit with the bank. For DNO, restricted cash of USD 14.3 million relates to deposits on escrow account, employees' tax deductions withheld, as well as deposits for rent.

In November 2018, to be in compliance with the UK regulations, DNO was required to present a guarantee of available funds to complete the settlement of the Faroe offer. The guarantee was issued by a bank backed by transfer of an amount of USD 418.1 million to a deposit account held in the name of DNO and pledged in favour of the bank. The guarantee was cancelled in February 2019 following the acquisition of over 98 percent of the Faroe shares.

DNO has a group bank account system which allows negative balances in given currencies if the total balance is positive hence such negative balances are still presented within cash and cash equivalents.

18. Share Capital

The Company had the following shares issued at 31 December 2019:

	Par value	2019 Number of shares	2018 Number of shares
Class A Shares	GBP 0.01	194,448,040	194,642,717
Restricted Class A Shares	GBP 0.001	117,683,332	133,171,988
<i>Total Class A</i>		<i>312,131,372</i>	<i>327,814,705</i>
Class B Shares	GBP 0.0000001	117,683,332	133,171,988
Class C Shares	GBP 0.0000001	87,488,693	87,488,693
Preference shares	GBP 1.00	50,000	50,000

All shares are fully paid.

Transfers of Restricted Class A Shares are limited to certain permitted transferees set forth in the Company's Articles of Association -- essentially, related parties or charities. Transfers to non-permitted transferees give rise to loss of Class B Share voting rights. Because they have the same rights to participate in profits as Class A Shares, Restricted Class A Shares are not treated as a class separate from Class A Shares for accounting purposes.

In January 2019 as a result of shareholders requests to release the restrictions on their Restricted Class A shares, 9,180,000 Restricted Class A Shares were re-designated as Class A Shares and 9,180,000 Class B shares, representing 18,360,000 votes, were transferred to the Company and cancelled.

Pursuant to authority granted by the shareholders at the Annual General Meeting held on 2 June 2018, the Company initiated a Class A Share buyback offer pursuant to which it purchased 8,450,000 of its Class A Shares on 4 February 2019 which have been cancelled. To maintain their voting levels in the Company to pre-buyback levels, Mr. Mossavar-Rahmani and DNO requested that the Company re-designate a total of 3,399,032 Restricted Class A Shares to Class A Shares. As a result, 3,399,032 Class B Shares, representing 6,798,064 votes, were transferred to the Company and cancelled.

The Company initiated a second Class A Share buyback offer pursuant to which it purchased 7,233,333 of its Class A Shares on 2 May 2019 which have been cancelled. To maintain their voting levels in the Company at pre-buyback levels, Mr. Mossavar-Rahmani and DNO requested that the Company re-designate a total of 2,909,624 Restricted Class A Shares to Class A Shares. As a result, 2,909,624 Class B Shares, representing 5,819,248 votes, were transferred to the Company and cancelled.

18. Share Capital (continued)

Key rights attached to each class of shares are as follows:

	<i>Restricted Class A share</i>	<i>Class A share</i>	<i>Class B share</i>	<i>Class C share</i>	<i>Preference share</i>
Right to vote	one vote	one vote	two votes	none	none
Right to participate in profits	yes	yes	none	none	none

The preference shares were classified as equity.

19. Share Premium

The Company records proceeds above par value in the share premium reserve.

20. Other Reserves, Treasury Shares and Foreign Currency Translation Reserves

Other Reserves

<i>USD million</i>	2019	<i>2018</i>
<i>Group</i>		
Discount for (predecessor) shares issued below fair value as part of acquisition in 2013	(15.5)	(15.5)
Settlement of share-based payment arrangement in 2013	(20.3)	(20.3)
Reclassification within equity due to Group Reorganisation in 2014	360.8	360.8
Acquisition of non-controlling interest without change of control (DNO treasury shares acquired by DNO) in 2017 – reclassified to retained earnings in 2019	-	(11.0)
Capital Reduction in 2017	518.3	518.3
Acquisition and cancellation of own shares in 2019	(30.0)	-
Capital redemption reserves resulting from acquisition and cancellation of own shares in 2019	0.3	-
Total other reserves	813.5	832.3
<i>USD million</i>	2019	<i>2018</i>
<i>Company</i>		
Group Reorganisation in 2014	148.8	148.8
Capital Reduction in 2017	518.3	518.3
Acquisition and cancellation of own shares in 2019	(30.0)	-
Capital redemption reserves resulting from acquisition and cancellation of own shares in 2019	0.3	-
Total other reserves	637.3	667.1

The USD 148.8 million above represents the difference between the nominal value of the shares issued as consideration for the shares in subsidiaries received by the Company as part of the 2014 Group Reorganisation and their fair value. The Group Reorganisation took place shortly before the Company listed its shares. The first quoted price for the Company's shares on the Oslo Børs was determined to represent fair value. The Group Reorganisation fell under section 611 of the 2006 Companies Act (group reconstruction relief). However, since IAS 27 requires the Company to account for the investment at cost in its Parent Company Financial Statements, the Company was unable to take advantage of the permission in section 615 of the 2006 Companies Act to record the transaction at nominal value. The cost of the investment is the fair value of the consideration issued. This treatment under IAS 27 also complies with the 'alternative presentation' allowed under section 615 of the 2006 Companies Act.

Treasury Shares and Foreign Currency Translation Reserves

There are cross-holdings between the Company and DNO. At 31 December 2019, DNO owned 5.08 percent (2018: 4.83 percent) being 15,849,737 of the Company's outstanding Class A Shares plus Restricted Class A Shares. The increase in percentage ownership results from the Company's acquisition of own shares which were cancelled in 2019. The Group accounts for the shares in the Company as treasury shares. The shares of the Company were acquired by DNO for USD 49.8 million.

Acquisition of Non-controlling Interest without Change in Control

The parent's effective ownership interest in subsidiary DNO was increased in 2019 due to the acquisition by DNO of DNO own shares which changed the Group's effective holding in DNO from 41.80 percent to 44.37 percent. There was no change throughout 2018. The change in the Company's interest in 2019 did not result in a change of control of DNO and therefore was accounted for as an equity transaction, i.e., a transaction with owners in their capacity as owners. The

20. Other Reserves, Treasury Shares and Foreign Currency Translation Reserves (continued)

carrying amounts of the Treasury Shares (held by DNO) and Foreign Currency Translation Reserves of the controlling and non-controlling interest were adjusted to reflect the changes in their relative interests in DNO.

USD million	2019	2018
Acquisition cost of Company shares purchased by DNO, treated as treasury shares	49.8	49.8
Percent change in net shareholding of DNO during 2019	2.6	-
Increase in treasury shares of controlling interest	1.3	-

USD million	2019	2018
Foreign currency translation reserve held by Company	35.0	35.0
Percent change in net shareholding of DNO during 2019	2.6	-
Increase in foreign currency translation reserve of controlling interest	0.9	-

USD million	2019	2018
Acquisition cost of DNO shares purchased by DNO	(82.3)	-
Change of equity allocated to non-controlling interest	(76.3)	-
Change of equity allocated to controlling interest	(6.0)	-

21. Interest-bearing Liabilities

USD million	Ticker OSE	Facility Currency	Facility Amount	Interest (percent)	Maturity	Effective Interest rate (percent)	Fair value		Carrying amount	
							2019	2018	2019	2018
Interest-bearing liabilities:										
Bond loan (ISIN NO0010740392)	DNO01	USD	140.0	8.750	18.06.2020	12.5	143.8	200.5	140.0	200.0
Bond loan (ISIN NO0010823347)	DNO02	USD	400.0	8.750	31.05.2023	9.7	408.6	396.3	400.0	400.0
Bond loan (ISIN NO0010852643)	DNO03	USD	400.0	8.375	29.05.2024	8.9	401.6	-	400.0	-
Bond loan (ISIN NO0010811268)	FAPE01	USD	21.2	8.000	28.04.2023	8.9	22.7	-	21.2	-
Borrowing issue costs		-	-						(23.0)	(24.3)
Reserve-based lending facility		USD	350.0	see below	07.11.2026	-	37.8	-	37.8	-
Exploration financing facility		NOK	1,000.0	see below	see below	3.26	85.6	18.4	85.6	18.4
Mashreq loan		AED	52.5	Eibor + 4.0	11.11.2021	-	14.3	22.5	14.3	22.5
Total interest-bearing liabilities							1,114.5	637.7	1,075.9	616.6

USD million	2019	2018
Non-current		
Bonds	821.2	600.0
Capitalised borrowing issue costs (bonds)	(23.0)	(24.3)
Reserve-based lending facility	37.8	-
Mashreq loan	6.1	14.3
Total non-current interest-bearing liabilities	842.1	590.0

Current		
Bonds	140.0	-
Exploration financing facility	85.6	18.4
Mashreq loan	8.2	8.2
Total current interest-bearing liabilities	233.8	26.6

Bonds

All the bonds are issued by DNO ASA except for FAPE01 which is issued by DNO's subsidiary, DNO North Sea plc.

21. Interest-bearing Liabilities (continued)

On 19 June 2015, DNO completed the placement of USD 400 million of five-year senior unsecured bonds with a fixed coupon rate of 8.75 percent and an issue price of 87.5 percent of par value. The bond matures on 18 June 2020 and there are no principal installments to be paid until maturity. The bond was registered on the Oslo Børs on 9 November 2016 with the ticker DNO01. The principal amount at 31 December 2019 is USD 140 million. Interest is paid bi-annually.

On 31 May 2018, DNO completed the placement of USD 400 million of five-year senior unsecured bonds issued at 100 percent of par with a fixed coupon rate of 8.75 percent. In connection with the bond placement, DNO rolled over USD 200 million in nominal value of the DNO01 bond into the new bond. The rolled over bonds were cancelled. The new bond is listed on the Oslo Børs under ticker DNO02. The principal amount at 31 December 2019 is USD 400 million and falls due on 31 May 2023. Interest is paid on a quarterly basis.

On 29 May 2019, DNO completed the placement of USD 400 million of new five-year senior unsecured bonds issued at 100 percent of par with a coupon rate of 8.375 percent. In connection with the bond placement, DNO agreed to buy back USD 60 million in nominal value of the DNO01 bond at 104.16 percent of par plus accrued interest.

During 2019, DNO acquired USD 64.6 million of FAPE01 bonds at a price range of 107.25 to 107.50 percent of par plus accrued interest. The facility amount for FAPE01 is shown net of bonds held by DNO.

The financial covenants of the DNO01, DNO02 and DNO03 bonds require DNO to have a liquidity of a minimum of USD 40 million and a minimum equity ratio of 30 percent or a total equity no less than USD 600 million. There is also a restriction on declaring or making any dividend payments if the liquidity is less than USD 80 million immediately after such distribution is made. The financial covenants of FAPE01 apply to the DNO North Sea plc sub-group and require a liquidity of minimum USD 15 million and at least USD 100 million in net assets. At 31 December 2019, DNO satisfies all loan agreement requirements including covenants on DNO's equity ratio.

Reserve-Based Lending

The Group has a reserve-based lending ("RBL") facility in relation to its Norway and UK licenses with a total facility amount of USD 350 million which is available for both debt and issuance of letters of credit. An additional tranche of USD 350 million is available on an uncommitted accordion basis. Interest charged on utilisations is based on the LIBOR, NIBOR or EURIBOR rates (depending on the currency of the drawdown) plus a margin ranging from 2.75 to 3.25 percent. The facility will amortise over the loan life with a final maturity date of 7 November 2026. The security under the RBL includes, without limitation, a pledge over the shares in DNO North Sea plc and its subsidiaries, assignment of claims under shareholder loans, intra-group loans and insurances and a pledge of certain bank accounts and mortgages over the license interests. There are also restrictions on loans and dividend payments to DNO ASA. The amount utilised as of the reporting date is disclosed in the table above. In addition, USD 90.6 million is utilised in respect of letters of credit.

Exploration Financing Facility

DNO Norge AS has available a revolving exploration financing facility in a total amount of NOK 1 billion. An additional tranche of NOK 500 million is available on an uncommitted accordion basis. Utilisation requests need to be delivered for each proposed loan. The aggregate of the proposed loan shall not exceed 95 percent of the tax value of eligible costs which have not already been refunded by the tax authorities. The facility is secured against the tax refund and is repaid when the refunds have been received which is approximately 11 months after the end of the financial year. The interest rate equals three months Norwegian Interbank Offered Rate (NIBOR) plus 1.70 percent. The facility was amended on 7 November 2019 which resulted in an increased facility amount, an increased margin from 1.55 percent to 1.70 percent and an extension of the utilisation period until 31 December 2022. The facility was drawn down by USD 85.6 million at year-end 2019 and USD 18.4 million at year-end 2018.

Short-term bank credit facility

The short-term bank credit facility of USD 200 million which the DNO Group had available was cancelled in November 2019.

Mashreq Loan

During 2016, the Group negotiated a new loan facility with Mashreq Bank of USD 32.7 million at the three-month Emirates Interbank Offered Rate ("EIBOR") plus 4.0 percent. Quarterly repayments of principal began 15 months after the start date of the loan and end in 2021. Interest is paid on a quarterly basis. While borrowings are outstanding, the Group has agreed to: not dispose of or encumber its indirect interest in Mondoil Enterprises; maintain a pledge account holding shares in DNO with a value of at least thrice the outstanding indebtedness; and maintain a cash balance of one quarter's

21. Interest-bearing Liabilities (continued)

payments (USD 2.0 million) in a service account as restricted cash. The proceeds have been and may be used for general working capital purposes, which may include, among others, repayment of existing bank loans or meeting cash calls from Foxtrot International. The loan was obtained by a subsidiary of the Company and passed onwards to the Company on the same terms. The Mashreq Loan is the only borrowing at Company level.

Changes in Liabilities Arising from Financing Activities Split by Cash and Non-cash Changes

USD million	At 1 Jan 2018	Cash flows	Non-cash changes Amortisation/ Currency	Total at 31 Dec 2018	Cash flows	Non-cash changes Acquisition	Amortisation/ Currency	Total at 31 Dec 2019
Group								
Bond loans	400.0	200.0	-	600.0	261.2	100.0	-	961.2
Borrowing issue costs	(27.2)	(10.5)	13.4	(24.3)	(8.6)	-	9.9	(23.0)
Reserve based lending facility	-	-	-	-	37.4	-	0.4	37.8
Exploration financing facility	17.6	3.4	(2.6)	18.4	50.3	17.7	(0.9)	85.6
Mashreq loan	30.6	(8.2)	-	22.5	(8.2)	-	-	14.3
Total liabilities from financing activities	421.0	184.7	10.8	616.6	332.2	100.0	27.1	1,075.9
Company								
Mashreq loan	30.6	(8.1)	-	22.5	(8.1)	-	-	14.3
Related party debt	2.1	14.9	-	17.0	(16.5)	-	-	0.5
Total liabilities from financing activities	32.7	6.8	-	39.5	(24.6)	-	-	14.8

22. Provisions for Other Liabilities and Charges/Lease Liabilities

The Company currently has no provisions with the exception of end of service benefits for staff based in the United Arab Emirates of USD 0.1 million.

At 31 December 2019, the Group had the following provisions, all relating to DNO:

USD million	2019	2018
Non-current		
Asset retirement obligations	415.7	49.4
Other long-term obligations	7.1	18.7
Total non-current provisions for other liabilities and charges	422.8	68.1
Lease liabilities	11.1	-
Total non-current lease liabilities	11.1	-
Current		
Asset retirement obligations	77.1	-
Other provisions and charges	27.9	7.4
Total current provisions for other liabilities and charges	105.1	7.4
Current lease liabilities	3.3	-
Total current lease liabilities	3.3	-
Total provisions for other liabilities and charges and lease liabilities	542.3	75.6

The provisions for asset retirement obligations are based on the present value of the estimated future cost of decommissioning oil and gas assets in Kurdistan and the North Sea. The discount rates applied at year-end 2019 were between 3.5 percent and 3.7 percent (2018: 4.0 percent). The credit margin included in the discount rates at year-end 2019 was 1.9 percent.

The increase in asset retirement obligation provisions in 2019 compared to 2018 is primarily due to the recognition of the asset retirement obligation provisions from the Faroe transaction and subsequent revisions to related estimates.

22. Provisions for Other Liabilities and Charges/Lease Liabilities (continued)

<i>USD million</i>	<i>Asset retirement obligations</i>	<i>Other non-current</i>
Balance at 1 January 2018	31.9	13.8
Increase/(decrease) in existing provisions	1.8	1.9
Amounts charged against provisions	-	(0.4)
Effects of change of the discount rate	17.4	1.6
Accretion expenses (unwinding of discount)	1.2	0.6
Reclassification and transfer	(2.8)	1.1
Balance at 31 December 2018	49.4	18.7
Asset retirement obligation provisions from business combinations	406.8	-
Asset retirement obligation provisions divested assets	(7.6)	-
Decommissioning spend	(21.5)	-
Increase/(decrease) in existing provisions	32.9	(12.4)
Amounts charged against provisions	-	0.2
Effects of change of the discount rate	15.7	-
Accretion expenses (unwinding of discount)	18.0	-
Reclassification and transfer	(0.8)	0.6
Balance at 31 December 2019	492.8	7.1

Lease Liabilities

On transition to IFRS 16, the Group recognised USD 12.7 million as lease liabilities. The identified lease liabilities have no significant impact on the DNO Group's financing, loan covenants or dividend policy. The Group does not have any residual value guarantees. Extension options are included in the lease liability when, based on management's judgement, it is reasonably certain that an extension will be exercised.

At 31 December 2019, the future undiscounted minimum lease payments under non-cancellable leases that are recognised in the financial position were payable as follows:

<i>USD million</i>	2019	<i>2018</i>
Within one year	4.4	3.7
Two to five years	13.0	15.0
After five years	-	-
Total undiscounted lease liabilities at 31 December 2019	17.5	18.6

The Group's future minimum lease payments under non-cancellable leases are related to office rent including warehouse and equipment. The difference between the recognised lease liabilities in the financial position and the undiscounted lease liabilities is due to discounting and adjustment for short-term leases and low-value leases. The Group's lease contracts related to drilling rigs in Kurdistan are cancellable and are therefore not included in the lease table above or recognised as lease liabilities in the financial position. The estimated value of leases related to these cancellable drilling contracts was USD 18 million (gross, undiscounted) at year-end 2019 (USD 16 million at year-end 2018).

The Company has no operating leases with a duration of more than 12 months.

23. Commitments and Contingencies

Contingent Liabilities and Contingent Assets

During the normal course of its business, the Company or its Investment Entities can be involved in legal proceedings and unresolved claims. The Group provides in its Consolidated and Parent Company Financial Statements for probable liabilities related to litigation and claims based on management's best judgement and in line with IAS 37. Other than what is set out below, the Group is not aware of any governmental, legal or arbitral proceedings (including any such proceedings which are pending or threatened) initiated against it that may have, or have had, significant effects on the Group's results of operations, cash flows or financial position.

At 31 December 2019, DNO had the following legal disputes.

Disputes with Ministry of Oil and Minerals of Yemen – Block 53, Block 43 and Block 32

The Ministry of Oil and Minerals (MOM) of Yemen has filed an arbitration claim against the operator Dove Energy and the other partners (including DNO Yemen AS) for allegedly wrongful withdrawal from Block 53. An arbitral award was rendered in July 2019 partially in the Ministry's favour in the amount of USD 29 million across all partners (out of a USD 171 million claim). DNO Yemen AS has filed for annulment proceedings in the Paris Court of Appeals. A provision of USD 14 million was recognised at year-end 2019 related to this arbitration award.

DNO Yemen AS was involved in a dispute with MOM with respect to DNO Yemen AS' relinquishment of Block 43 in 2016. An arbitral award was rendered on 18 February 2020 in DNO Yemen AS' favour for USD 6.8 million (almost entirely dismissing the USD 131 million counterclaim of the MOM). In accordance with IAS 37, the asset related to this arbitration award will be recognised in 2020.

DNO Yemen AS remains involved in a dispute with MOM with respect to DNO Yemen AS' relinquishment of Block 32 in 2016. In accordance with IAS 37.92, the DNO Group does not provide further information with respect to this arbitration dispute and the associated risk for the DNO Group, especially with regards to the measures taken in this context, in order not to impair the outcome of the proceedings. In accordance with IAS 37, no provision was made at year-end 2019 related to this dispute.

Unresolved Issues Following Relinquishment of Operatorship and Participation in Oman Block 8

On 3 January 2019, DNO announced that its subsidiary, DNO Oman Block 8 Limited, had relinquished operatorship and participation in Oman Block 8 to Oman's Ministry of Oil and Gas as a result of the expiry of the Exploration and Production Sharing Agreement ("EPSA"). DNO held a 50 percent interest in the license alongside LG International Corp., which held the remaining 50 percent interest. The relinquishment has given rise to certain contested issues between Oman and the partners of Block 8, DNO Oman Block 8 Limited and LG International Corp., which are unresolved as of the reporting date. It is not possible to reliably estimate what the outcome of this arbitration will be. No provisions have been made at year-end 2019.

Capital Commitments

Based on work plans at 31 December 2019 and contingent on future market conditions including development in the oil price (see Note 30), the DNO Group's estimated capital commitments at year-end amounted to USD 400 million. The estimated capital commitment figure reflects the DNO Group's share of planned drilling and facility investments in its licenses and execution of these work plans is subject to revisions, see Note 30.

Foxtrot International is committed to building processing facilities and pipelines to supply gas to two new power stations in Côte d'Ivoire. The estimated cost is USD 24 million for Foxtrot International's share.

Guarantees at 31 December 2019

DNO ASA has issued parent company guarantees to the authorities in Norway and the United Kingdom on behalf of certain subsidiaries that participate in licenses on the NCS and UKCS. DNO, together with its partners, has issued a joint and several parent company guarantee to the KRG for the payment of a minimum guaranteed amount relating to the work obligations that the parties will undertake in the Baeshiq PSC.

Liability for Damages/Insurance

Installations and operations are covered by various insurance policies.

24. Trade and Other Payables

USD million	2019	2018
Group		
Trade payables	63.1	46.0
Public duties payable	4.6	3.1
Prepayments from customers	50.1	-
Other accrued expenses	171.4	67.3
Total trade and other payables	289.2	116.4
Company		
Trade payables	0.6	0.2
Other accrued expenses	-	-
Total trade and other payables	0.6	0.2

Trade payables and other accrued expenses at year-end 2019 include items of working capital related to participation in oil and gas licenses in Kurdistan and the North Sea.

Trade payables are non-interest bearing and are normally settled on 30 to 60 day terms.

25. Investment in Subsidiaries

Subsidiaries

The Group had the following subsidiaries:

Name of the subsidiary				Percent holding		
	Address	Country of incorporation	Place of business	31 December 2019	31 December 2018	Nature of business
Directly held by the Company						
RAK Petroleum Holdings B.V.	Prins Bernhardplein 200 1097JB Amsterdam Netherlands	Netherlands	Netherlands	100	100	Holding and finance company
RAK Petroleum Public Company Limited	Office 12A07 XL Tower Marasi Drive, Business Bay Dubai, UAE	UAE	United Arab Emirates	100	-	Ras Al Khaimah and Dubai offices
RAK Petroleum Corporate Services Limited	Canon's Court 22 Victoria Street Hamilton HM EX Bermuda, UK	Bermuda	United Arab Emirates	-	100	Liquidated January 2019
Petroleum Merger Company	Office 611 The Fairmont Dubai Sheikh Zayed Road Dubai, UAE	UAE	United Arab Emirates	-	100	Liquidated November 2019
Indirectly held by the Company						
RAK Petroleum Public Company Limited	Office 12A07 XL Tower Marasi Drive, Business Bay Dubai, UAE	UAE	United Arab Emirates	-	100	Ras Al Khaimah and Dubai offices
Mondoil Enterprises, LLC	Corporation Trust Center 1209 North Orange Street Wilmington, Delaware, USA	USA	United States	100	100	Holding company
DNO ASA	Dokkveien 1 0250 Oslo, Norway	Norway	Norway, Kurdistan, Other	44.37	40.45	Holding company
Held directly or indirectly by DNO ASA						
DNO Iraq AS	Dokkveien 1 0250 Oslo, Norway	Norway	Kurdistan	44.37	40.45	Operating company
DNO Yemen AS	Dokkveien 1 0250 Oslo, Norway	Norway	Yemen	44.37	40.45	Operating company
DNO Oman AS	Dokkveien 1 0250 Oslo, Norway	Norway	Oman	44.37	40.45	Operating company
DNO Somaliland AS	Dokkveien 1 0250 Oslo, Norway	Norway	Somaliland	44.37	40.45	Operating company
DNO North Sea plc	Dokkveien 1 0250 Oslo, Norway	UK	UK	44.37	40.45	Operating company
DNO Exploration UK Limited	Dokkveien 1 0250 Oslo, Norway	UK	UK	44.37	40.45	Operating company
DNO Technical Services AS	Dokkveien 1 0250 Oslo, Norway	Norway	Dubai	44.37	40.45	Services company

25. Investment in Subsidiaries (continued)

DNO Mena AS	Dokkveien 1 0250 Oslo, Norway	Norway	Oman, Tunisia	44.37	40.45	Holding company
DNO UK Limited	Dokkveien 1 0250 Oslo, Norway	UK	UK	44.37	40.45	Holding company
DNO Invest AS	Dokkveien 1 0250 Oslo, Norway	Norway	Norway	44.37	40.45	Holding company
Northstar Exploration Holding AS	Dokkveien 1 0250 Oslo, Norway	Norway	Norway, UK	44.37	40.45	Holding company
DNO Oman Limited	Dokkveien 1 0250 Oslo, Norway	Bermuda	Oman	44.37	40.45	Dormant
DNO Oman Block 8 Limited	Dokkveien 1 0250 Oslo, Norway	Guernsey	Oman	44.37	40.45	Dormant
DNO Oman Block 30 Limited	Dokkveien 1 0250 Oslo, Norway	Guernsey	Oman	44.37	40.45	Dormant
DNO Al Khaleej Limited	Dokkveien 1 0250 Oslo, Norway	Guernsey	United Arab Emirates	44.37	40.45	Dormant
DNO Technical Services Limited	Dokkveien 1 0250 Oslo, Norway	Guernsey	Dubai	44.37	40.45	Dormant
DNO Tunisia Limited	Dokkveien 1 0250 Oslo, Norway	Guernsey	Tunisia	44.37	40.45	Dormant
DNO North Sea (Norge) AS	Dokkveien 1 0250 Oslo, Norway	Norway	Norway	44.37	40.45	Inactive
DNO North Sea (UK) Limited	Dokkveien 1 0250 Oslo, Norway	UK	UK	44.37	40.45	Operating Company
DNO North Sea (ROGB) Limited	Dokkveien 1 0250 Oslo, Norway	UK	UK	44.37	40.45	Operating Company
DNO North Sea (Energy) Limited	Dokkveien 1 0250 Oslo, Norway	UK	UK	44.37	40.45	Inactive
Faeroya Kolventi P/F	Dokkveien 1 0250 Oslo, Norway	Denmark	Denmark	44.37	40.45	Inactive
DNO North Sea SIP EBT Limited	Dokkveien 1 0250 Oslo, Norway	UK	UK	44.37	40.45	Inactive
DNO Norge AS	Dokkveien 1 0250 Oslo, Norway	Norway	Norway	44.37	40.45	Operating Company

The DNO subsidiary companies are owned by DNO either directly or indirectly, giving the Group an indirect interest in them. DNO's subsidiary DNO Iraq AS has operations in Kurdistan. Activities on the NCS are carried out through DNO Norge AS, while activities on the UKCS are carried out through DNO North Sea (UK) Limited and DNO North Sea (ROGB) Limited. DNO Technical Services AS and DNO North Sea plc provide technical support and services to the various companies in the DNO Group. DNO North Sea (Norge) AS transferred its business to DNO Norge AS during 2019. The other subsidiaries had minimal activity during the year.

The Company

The Company holds its interests in the Investment Entities through its wholly-owned subsidiary, RAK Petroleum Holdings B.V. The value of RAK Petroleum Holdings B.V. is predominantly derived from the recoverable amounts of its investments in DNO and Foxtrot International. Refer to impairment testing in Note 12 and Note 13 for DNO and Note 14 for Foxtrot International. At 31 December 2018 no impairment indicators were present. At 31 December 2019, the Company conducted an impairment test, however, no impairment was considered warranted. At 31 December 2019 a change in oil price of 12 percent would have eliminated the headroom.

26. Related Party Disclosures

Transactions with related parties were carried out in the normal course of business on terms agreed between the parties.

The Group has no (ultimate) controlling company/party.

Related Party Transactions (Company)

The Company held a loan from its wholly-owned subsidiary, RAK Petroleum Holdings B.V., of USD 0.5 million at 31 December 2019. The loan was repaid as due on 31 January 2020 with 3.0 percent interest.

Related party transactions occur between DNO and the Company. DNO and the Company entered into a Service Agreement whereby DNO reimburses the Company for work carried out on behalf of DNO and travel expenses incurred on behalf of DNO. The amount owed by DNO to the Company at 31 December 2019 was USD 0.6 million. An administration fee of 2.5 percent is charged on expenses incurred by the Company on DNO's behalf.

USD million	2019	2018
Loan from RAK Petroleum Holdings B.V.	0.5	-
Services Agreement - DNO	1.6	1.3
Total related party transactions	2.1	1.3

Details of the Board of Directors and executive management remuneration are disclosed elsewhere in this report in the Directors' Remuneration Report. Key management compensation required to be disclosed by IAS 24 is as follows:

Key Management Compensation (Group)

USD million	2019	2018
Salaries and other short-term employee benefits	(4.7)	(4.3)
Directors' fees	(0.3)	(0.3)
Total key management compensation	(4.9)	(4.6)

Key Management Compensation (Company)

USD million	2019	2018
Salaries and other short-term employee benefits	(2.9)	(2.2)
Directors' fees	(0.3)	(0.3)
Total key management compensation	(3.1)	(2.5)

Key management compensation of the Group includes Mr. Mossavar-Rahmani's salary as Executive Chairman of DNO and Mr. Dale as the Managing Director of DNO.

27. Financial Risk Management Objectives and Policies

Financial Risk Policies

The Group's activities expose it to a variety of financial risks. The Board of Directors provides certain specific guidance in managing such risks, particularly as relates to credit and liquidity risk. Any form of borrowing arrangement requires approval from the Board of Directors and the Group does not currently use any derivative financial instruments to manage its financial risks. The key financial risks and the Group's major exposures are as follows:

Equity Price Risk

Equity price risk includes the risk that the fair value of equity securities held by the Group may decrease because of changes in (i) equity markets generally, (ii) particular equity markets or market segments, or (iii) the market price of individual equities.

The Group's most valuable asset is its shareholding in DNO, whose shares are publicly traded on the Oslo Børs. At 31 December 2019, the market value of that interest was USD 574.0 million. However, the Group's interest in DNO is accounted for as an investment in a subsidiary under International Financial Reporting Standards (see Note 13) such that the market value is not directly reflected in the Group's financial position. If the public equity value of the Group's interest in DNO decreases below the carrying value, the Group in certain circumstances may be required to record an impairment of its goodwill in DNO, recorded as a loss in the Group's income statement. Similarly, the Group's income statement reflects the income performance of DNO and does not directly record or reflect changes in its market value.

27. Financial Risk Management Objectives and Policies (continued)

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's indebtedness bears interest at rates that fluctuate with the EIBOR. The Company is not exposed to any significant interest rate risk. DNO has one bond loan maturing in 2020 with a fixed interest rate and bond loans maturing in 2023 and 2024 with fixed interest rates. The bond loans are not subject to interest rate exposure as the bond loans have a fixed interest rate. In addition to the bond loans, DNO has an exploration financing facility of 1 billion NOK with a further NOK 500 million accordion with a floating rate and a reserve based lending facility of USD 350 million (drawn USD 37.8 million). These loans are subject to interest rate exposure but do not create a material interest rate exposure for the Group. The terms of the loans are described in Note 21. At year-end 2019, neither the Company nor the Group had any interest rate hedging instruments.

Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counter-party to a financial instrument fails to meet its contractual obligations. For all classes of financial assets held by the Group, the maximum exposure to credit risk is the carrying value as disclosed in the statement of financial position.

Credit risk from balances with banks and financial institutions is managed by the Group's treasury function. The Group limits its counterparty credit risk by maintaining its cash deposits with multiple banks and financial institutions with high credit ratings.

Credit risk for related party receivables of the Company is viewed as negligible. Credit risk for the tax receivable is viewed as negligible.

DNO also carries credit risk with respect to trade debtors, see Note 16. Following an assessment of facts and circumstances, effective 1 October 2018, DNO recognises revenue in Kurdistan in line with invoiced oil sales following monthly deliveries to the KRG and not upon cash receipt (see Note 3), which gives rise to a receivable in the consolidated statements of financial position.

In accordance with IFRS 9, receivables are recognised and carried at their anticipated realisable value, which implies that a provision for a loss allowance on lifetime expected credit losses of the receivable is recognised. A provision for loss allowance for expected credit losses is performed at each reporting date and is based on a multifactor and holistic analysis depending on several considerations. The DNO Group considers reasonable and supportable information that is available without undue cost or effort and that is relevant for the assessment of credit risk.

Normal payment terms apply to amounts owed to DNO by the KRG for oil sales. DNO has received regular monthly payments from the KRG since late 2015. One-off events may lead to short-term delays in payments, but DNO sees no significant increase in credit risk. As such, it is not considered necessary to provide for any loss allowance on credit losses. Of the USD 301.1 million at 31 December 2019, USD 130.1 million is current and USD 171.0 million is overdue.

Currency Risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company is not exposed to any significant currency risk. The Group operates internationally and can be exposed to currency risk on commercial transactions, assets and liabilities. Commercial transactions and assets and liabilities are subject to currency risk when payments are denominated in a currency other than the respective functional currency of the Group. The vast majority of the Group's expenditures, revenues, debts, receivables and cash are denominated in USD. The Group has material expenditures in NOK and GBP related to the North Sea. The Group has minor expenditures in AED, IQD and EUR. DNO's revenues from the sale of oil and gas are in USD, while corporate operational costs are mainly in USD and NOK. The Group's assets and liabilities are mainly denominated in USD. A +/- 10 percent change in the NOK/USD exchange rate at 31 December 2019 will impact other comprehensive income by USD (44.4) million to USD 45.1 million. A +/- 10 percent change in the GBP/USD exchange rate at 31 December 2019 will impact other comprehensive income by USD (22.9) million to USD 21.8 million. The Group had no currency hedging arrangements at year-end 2019 although it monitors its foreign currency risk exposure on a continuous basis and evaluates hedging alternatives.

Liquidity Risk

The Company's liquidity risk is the risk that it will not be able to meet its financial obligations as they fall due. Prudent liquidity risk management implies maintaining sufficient cash balances, marketable securities, credit facilities and other financial resources to maintain financial flexibility under dynamic market conditions. Cash flow forecasts are performed by the Group and liquidity requirements monitored.

27. Financial Risk Management Objectives and Policies (continued)

Foxtrot International issues cash calls to Mondoil Enterprises to fund capital and operating requirements for Côte d'Ivoire Block CI-27. These cash calls are made on a regular basis pursuant to an approved budget and in 2019 totalled USD 6.8 million.

The Company has concluded that cash distributions anticipated to be received from Foxtrot International together with available borrowings will be sufficient to enable the Company to meet all of its scheduled and anticipated obligations. In the unlikely event of a disruption of these cash distributions, the Company (i) will make use of any cash reserves or available borrowings, (ii) will pursue additional financing arrangements, if available, (iii) may have available to it the proceeds of insurance against the risks giving rise to the disruption, or (iv) could liquidate a portion of its liquid investment holdings.

The DNO Group's principal sources of liquidity are operating cash flows from its producing assets in Kurdistan and the North Sea. In addition to its operating cash flows, the DNO Group relies on the debt capital markets for both short- and long-term funding. At year-end 2019, the DNO Group had outstanding senior unsecured debt in the form of bonds totalling USD 961.2 million and had available an Exploration Financing Facility in an aggregate amount of NOK 1 billion (equivalent to USD 114 million as of 31 December 2019) with an accordion option of NOK 500 million (equivalent to USD 57 million as of 31 December 2019). In addition, the DNO Group had available Reserve Based Lending in relation to its Norway and UK licenses with a total facility amount of USD 350 million. The DNO Group's finance function prepares projections on a regular basis in order to plan the DNO Group's liquidity requirements. These plans are updated regularly for various scenarios and form part of the basis for decision making for the DNO Board of Directors and management.

Risk Concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. DNO's revenues currently derive mainly from production in the Tawke license in Kurdistan and from several licenses in the North Sea. The Group actively seeks to reduce such risk through organic growth and business and asset acquisitions aimed at further diversifying its revenue sources. The Faroe acquisition transformed DNO into a more diversified company with an additional source of revenue and potential business development opportunities and as such, the concentration risk is significantly reduced compared to previous years.

The Company has obligations to repay indebtedness to financial institutions, falling due at various times during the next three years. DNO also has loans and borrowings falling due at various times during the next three years. Loan repayment obligations are summarised below.

2019 USD million	Book value	Total cash flow	Less than 3 months	3 to 12 months	1 to 3 years	Over 3 years
Mashreq loan	14.3	15.2	2.2	6.6	6.3	-
DNO loans and borrowings	1,061.6	1,385.4	18.0	287.4	144.0	936.0
Total	1,075.9	1,400.6	20.2	294.0	150.3	936.0

2018 USD million	Book value	Total cash flow	Less than 3 months	3 to 12 months	1 to 3 years	Over 3 years
Mashreq loan	22.5	24.7	2.4	7.1	15.3	-
DNO loans and borrowings	594.1	784.9	10.1	46.4	313.8	414.6
Total	616.6	809.6	12.5	53.4	329.1	414.6

The undiscounted cash flows of the Group's and Company's other financial liabilities approximate their carrying amounts and their contractual maturity is predominantly within three months.

The Company's loans include the Mashreq loan transferred to the Company through its subsidiary RAK Petroleum PCL on the same terms and conditions. The Company also has a related party debt of USD 0.5 million owed by the Company to its subsidiary RAK Petroleum Holdings B.V. This related party loan has an interest rate of 3.0 percent and is repayable within 12 months.

27. Financial Risk Management Objectives and Policies (continued)

Capital Management

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value. The Group manages its capital structure and makes adjustments to it in light of changes in business conditions. Equity is defined as capital. No changes were made in the objectives, policies or processes during the years ended 31 December 2019 and 31 December 2018, although the changes in capital structure and debt described in the Notes above were implemented.

The Group's debt to equity (attributable to shareholders of the parent) ratio at 31 December 2019 was 1.7 percent (2.7 percent at 31 December 2018).

Financial Assets and Liabilities

Financial assets and liabilities in the Group consist of bank deposits, trade and other receivables, other non-current assets, interest-bearing liabilities, other current and non-current provisions for other liabilities and charges and trade and other payables. Financial assets and liabilities are offset when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Current financial assets and liabilities are carried at their fair value due to their short maturity.

Fair Value Hierarchy

Financial instruments measured at fair value are classified by the levels in the fair value hierarchy. Both carrying amount and fair value are shown for all financial instruments.

For financial instruments measured at fair value, the levels in the fair value hierarchy are:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

Financial instruments are reclassified between the levels at the date of the event or change in circumstances that caused the transfer.

Note that financial instruments where the carrying amount is a reasonable approximation of fair value (e.g., bank deposits, tax receivables, trade and other receivables, trade and other payables) are not included in the fair value hierarchy. For the Group's bank loans/facilities, the fair value is assessed equal to the carrying amount.

		Carrying amount			Fair value hierarchy			
2019 - USD million	Notes	Financial assets designated at FVTOCI*	Financial liabilities at amortised cost	Total	Date of valuation	Level 1	Level 2	Level 3
Financial assets measured or disclosed at fair value								
Financial investments	15	-	-	-	31 December 2019	-	-	-
Financial assets not measured or disclosed at fair value								
Trade and other receivables	16	-	-	-		-	-	-
Tax receivables	10	-	-	-		-	-	-
Cash and cash equivalents	17	-	-	-		-	-	-
Financial liabilities measured or disclosed at fair value								
Interest-bearing liabilities (non-current)	21	-	842.1	842.1	31 December 2019	833.0	-	43.9
Interest-bearing liabilities (current)	21	-	233.8	233.8	31 December 2019	143.8	-	93.8
Financial liabilities not measured or disclosed at fair value								
Trade and other payables	24	-	-	-		-	-	-
Income tax payable	10	-	-	-		-	-	-
Provisions for other liabilities and charges	22	-	-	-		-	-	-

*Financial assets designated at FVTOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments).

27. Financial Risk Management Objectives and Policies (continued)

2018 - USD million	Notes	Carrying amount			Fair value hierarchy			
		Financial assets designated at FVTOCI*	Financial liabilities at amortised cost	Total	Date of valuation	Level 1	Level 2	Level 3
Financial assets measured or disclosed at fair value								
Financial investments	15	212.9	-	212.9	31 December 2018	212.9	-	-
Financial assets not measured or disclosed at fair value								
Trade and other receivables	16	-	-	-		-	-	-
Tax receivables	10	-	-	-		-	-	-
Cash and cash equivalents	17	-	-	-		-	-	-
Financial liabilities measured or disclosed at fair value								
Interest-bearing liabilities (non-current)	21	-	590.0	590.0	31 December 2018	596.8	-	14.3
Interest-bearing liabilities (current)	21	-	26.6	26.6	31 December 2018	-	-	26.6
Financial liabilities not measured or disclosed at fair value								
Trade and other payables	24	-	-	-		-	-	-
Income tax payable	10	-	-	-		-	-	-
Provisions for other liabilities and charges	22	-	-	-		-	-	-

*Financial assets designated at FVTOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments).

The Company's other receivables (USD 0.8 million) and cash and cash equivalents (USD 21.7 million) make up the Company's financial assets at amortised cost. The Company's interest-bearing liabilities (USD 14.3 million), related party debt (USD 0.5 million) and trade and other payables (USD 0.6 million) make up the Company's other financial liabilities at amortised cost. The carrying amount of these items approximate their fair value.

28. Oil and Gas License Portfolio

At year-end 2019, DNO held interests in three licenses in Kurdistan, all of which are PSCs. The Tawke PSC contains the producing Tawke and Peshkabir fields. The Erbil PSC contains the Benenan and Bastora fields. The Baeshiqa license contains two large structures with multiple independent stacked target reservoirs, including in the Cretaceous, Jurassic and Triassic formations.

At year-end 2019, DNO also held 87 offshore licenses in Norway, 12 offshore licenses in the UK, two offshore licenses in the Netherlands, one offshore licence in Ireland and one license in Yemen.

At year-end 2019 Foxtrot International held three licenses offshore Côte d'Ivoire.

As is customary in the oil and gas industry, most of the Group's assets are held in partnership with other companies. Below is an overview of the Group's licenses, which are held through several wholly-owned subsidiary companies.

Held through DNO as a subsidiary:

Region/license	Participating interest at end 2019 (percent)	Participating interest at end 2018 (percent)	Operator	Partners
Kurdistan				
Tawke PSC	75.0	75.0	DNO Iraq AS	Genel Energy International Limited
Erbil PSC	40.0	40.0	DNO Iraq AS	Gas Plus Erbil Limited, Kurdistan Regional Government
Baeshiqa PSC	32.0	32.0	DNO Iraq AS	ExxonMobil Kurdistan Region of Iraq Limited, Turkish Energy Company Limited, Kurdistan Regional Government
Norway				
PL006 C	85.0	-	DNO Norge AS	Aker BP ASA
PL006 E	85.0	-	DNO Norge AS	Aker BP ASA
PL006 F	85.0	-	DNO Norge AS	Aker BP ASA
PL018 ES	11.7	-	Total E&P Norge AS	DNO Norge AS
PL019	20.0	-	Aker BP ASA	DNO Norge AS
PL019 E	20.0	-	Aker BP ASA	DNO Norge AS

28. Oil and Gas License Portfolio (continued)

PL019 H	20.0	-	Aker BP ASA	DNO Norge AS
PL036 D	28.9	-	Aker BP ASA	DNO Norge AS, PGNiG Upstream Norway AS
PL048 D	9.3	-	Equinor Energy AS	DNO Norge AS, Aker BP ASA, CapeOmega AS
PL053 B	14.3	-	Wintershall Dea Norge AS	DNO Norge AS, Repsol Norge AS, Vår Energi AS, Neptune Energy Norge AS
PL055	14.3	-	Wintershall Dea Norge AS	DNO Norge AS, Repsol Norge AS, Vår Energi AS, Neptune Energy Norge AS
PL055 B	14.3	-	Wintershall Dea Norge AS	DNO Norge AS, Repsol Norge AS, Vår Energi AS, Neptune Energy Norge AS
PL055 D	14.3	-	Wintershall Dea Norge AS	DNO Norge AS, Repsol Norge AS, Vår Energi AS, Neptune Energy Norge AS
PL065	45.0	-	Aker BP ASA	DNO Norge AS
PL065 B	45.0	-	Aker BP ASA	DNO Norge AS
PL1006	30.0	-	Equinor Energy AS	DNO Norge AS
PL1007	40.0	-	DNO Norge AS	OMV (Norge) AS, Spirit Energy Norway AS, Equinor Energy AS
PL1015	30.0	-	INEOS E&P Norge AS	DNO Norge AS
PL1021	50.0	-	Wintershall Dea Norge AS	DNO Norge AS
PL1022	30.0	-	Aker BP ASA	DNO Norge AS, Concedo ASA
PL1024	30.0	-	Repsol Norge AS	DNO Norge AS
PL1027	20.0	-	Lundin Norway AS	DNO Norge AS, Wintershall Dea Norge AS, INPEX Norge AS
PL1029	40.0	-	Lundin Norway AS	DNO Norge AS, Spirit Energy Norway AS
PL122	17.0	-	Vår Energi AS	DNO Norge AS, INEOS E&P Norge AS, Equinor Energy AS
PL122 B	17.0	-	Vår Energi AS	DNO Norge AS, INEOS E&P Norge AS, Equinor Energy AS
PL122 C	17.0	-	Vår Energi AS	DNO Norge AS, INEOS E&P Norge AS, Equinor Energy AS
PL122 D	17.0	-	Vår Energi AS	DNO Norge AS, INEOS E&P Norge AS, Equinor Energy AS
PL147	50.0	-	DNO Norge AS	Spirit Energy Norge AS
PL159 B	32.0	-	Equinor Energy AS	DNO Norge AS, INEOS E&P Norge AS
PL159 G	32.0	-	Equinor Energy AS	DNO Norge AS, INEOS E&P Norge AS
PL169 E	87.0	-	DNO Norge AS	Vår Energi AS
PL185	14.3	-	Wintershall Dea Norge AS	DNO Norge AS, Repsol Norge AS, Vår Energi AS, Neptune Energy Norge AS
PL248 F	20.0	20.0	Wintershall Dea Norge AS	DNO Norge AS, Petoro AS
PL248 GS	20.0	20.0	Wintershall Dea Norge AS	DNO Norge AS, Petoro AS
PL248 HS	20.0	20.0	Wintershall Dea Norge AS	DNO Norge AS, Petoro AS
PL274	55.0	-	DNO Norge AS	CapeOmega AS
PL274 CS	55.0	-	DNO Norge AS	CapeOmega AS
PL293 B	20.0	20.0	Equinor Energy AS	DNO Norge AS, Idemitsu Petroleum Norge AS
PL300	45.0	-	Aker BP ASA	DNO Norge AS
PL405	15.0	-	Spirit Energy Norway AS	DNO Norge AS, Aker BP ASA, Suncor Energy Norge AS
PL433	15.0	-	Spirit Energy Norway AS	DNO Norge AS, One-Dyas Norge AS, PGNiG Upstream Norway AS
PL586	7.5	-	Neptune Energy Norge AS	DNO Norge AS, Vår Energi AS, Suncor Energy Norge AS
PL644	20.0	-	OMV (Norge) AS	DNO Norge AS, Equinor Energy AS, Spirit Energy Norway AS
PL644 B	20.0	-	OMV (Norge) AS	DNO Norge AS, Equinor Energy AS, Spirit Energy Norway AS
PL644 C	20.0	-	OMV (Norge) AS	DNO Norge AS, Equinor Energy AS, Spirit Energy Norway AS
PL740	50.0	-	DNO Norge AS	Vår Energi AS
PL740 B	50.0	-	DNO Norge AS	Vår Energi AS
PL740 C	50.0	-	DNO Norge AS	Vår Energi AS
PL749	20.0	-	Spirit Energy Norway AS	DNO Norge AS, Petoro AS, Neptune Energy Norge AS
PL767	10.0	10.0	Lundin Norway AS	DNO Norge AS, INPEX Norge AS
PL767 B	10.0	-	Lundin Norway AS	DNO Norge AS, INPEX Norge AS
PL811	20.0	-	Spirit Energy Norway AS	DNO Norge AS, A/S Norske Shell, Aker BP ASA
PL825	50.0	10.0	DNO Norge AS	Equinor Energy AS, Spirit Energy Norway AS
PL827 S	30.0	30.0	Equinor Energy AS	DNO Norge AS
PL836 S	30.0	-	Wintershall Dea Norge AS	DNO Norge AS, Spirit Energy Norway AS
PL845	20.0	-	ConocoPhillips Skandinavia AS	DNO Norge AS, INEOS E&P Norge AS, Wintershall Dea Norge AS

28. Oil and Gas License Portfolio (continued)

PL859	20.0	20.0	Equinor Energy AS	DNO Norge AS, Petoro AS, ConocoPhillips Skandinavia AS, Lundin Norway AS
PL870	20.0	-	Equinor Energy AS	DNO Norge AS
PL881	30.0	-	Wellesley Petroleum AS	DNO Norge AS
PL888	40.0	-	DNO Norge AS	Wellesley Petroleum AS, ConocoPhillips Skandinavia AS
PL889	-	20.0	Neptune Energy Norge AS	DNO Norge AS, Concedo ASA
PL902	10.0	10.0	Lundin Norway AS	DNO Norge AS, Petoro AS, Aker BP ASA
PL902 B	10.0	-	Lundin Norway AS	DNO Norge AS, Petoro AS, Aker BP ASA
PL906	20.0	-	Aker BP ASA	DNO Norge AS, Equinor Energy AS
PL921	15.0	15.0	Equinor Energy AS	DNO Norge AS, Petoro AS, Lundin Norway AS
PL922	20.0	20.0	Spirit Energy Norway AS	DNO Norge AS, Neptune Energy Norge AS, Total E&P Norge AS
PL923	20.0	20.0	Equinor Energy AS	DNO Norge AS, Wellesley Petroleum AS, Petoro AS
PL924	15.0	15.0	Equinor Energy AS	DNO Norge AS, Lundin Norway AS
PL926	60.0	20.0	DNO Norge AS	Concedo ASA, Lundin Norway AS
PL929	10.0	10.0	Neptune Energy Norge AS	DNO Norge AS, Pandion Energy AS, Wintershall Dea Norge AS, Lundin Norway AS
PL931	40.0	40.0	Wellesley Petroleum AS	DNO Norge AS
PL943	30.0	30.0	Equinor Energy AS	DNO Norge AS, Capricorn Norge AS
PL950	10.0	10.0	Lundin Norway AS	DNO Norge AS, INPEX Norge AS, Petoro AS
PL951	20.0	20.0	Aker BP ASA	DNO Norge AS, Vår Energi AS, Concedo ASA
PL953	30.0	30.0	Wintershall Dea Norge AS	DNO Norge AS, Concedo ASA
PL967	60.0	-	DNO Norge AS	Equinor Energy AS
PL968	40.0	-	DNO Norge AS	Petoro AS, MOL Norge AS, Aker BP ASA
PL969	45.0	-	A/S Norske Shell	DNO Norge AS, Spirit Energy Norway AS
PL975	60.0	-	DNO Norge AS	Source Energy AS
PL983	20.0	-	Equinor Energy AS	DNO Norge AS, Total E&P Norge AS, Petoro AS
PL984	40.0	-	DNO Norge AS	Source Energy AS, Vår Energi AS
PL986	20.0	-	Aker BP ASA	DNO Norge AS, Petoro AS, Wellesley Petroleum AS
PL987	20.0	-	Suncor Energy Norge AS	DNO Norge AS, Lundin Norway AS, Vår Energi AS
PL988	30.0	-	Lundin Norway AS	DNO Norge AS, Vår Energi AS
PL990	30.0	-	Equinor Energy AS	DNO Norge AS, Wellesley Petroleum AS
PL991	60.0	-	DNO Norge AS	Lundin Norway AS
PL994	30.0	-	Neptune Energy Norge AS	DNO Norge AS, Petrolia NOCO AS
PL995	60.0	-	DNO Norge AS	INEOS E&P Norge AS
Oman				
Block 8	-	50.0	DNO Oman Block 8 Limited	LG International Corp.
United Kingdom				
P111	54.3	-	Repsol Sinopec Resources UK Ltd	DNO North Sea (U.K.) Ltd, DNO North Sea (ROGB) Ltd, Dana Petroleum (BVUK) Ltd
P1763	12.5	-	Apac Beryl I Ltd	DNO North Sea (U.K.) Ltd, Azinor Catalyst Ltd, Nautical Petroleum Ltd
P1998	-	22.5	Apache North Sea Ltd	DNO Exploration UK Ltd, Euroil Exploration Ltd
P2074	25.0	25.0	Chrysaor CNS Ltd	DNO Exploration UK Ltd, Chrysaor Ltd, Ineos UK SNS Ltd
P219	18.2	-	Repsol Sinopec North Sea Ltd	DNO North Sea (ROGB) Ltd, Dana Petroleum (BVUK) Ltd, Waldorf Production UK Ltd
P2312	15.0	-	Nautical Petroleum Ltd	DNO North Sea (U.K.) Ltd, Suncor Energy UK Ltd
P2401	45.0	-	DNO North Sea (U.K.) Ltd	Shell U.K. Ltd, Spirit Energy Resources Ltd
P2472	70.0	-	DNO North Sea (U.K.) Ltd	One-Dyas E&P Ltd
P255	45.0	-	Shell U.K. Ltd	DNO North Sea (U.K.) Ltd, Spirit Energy Resources Ltd
P454	5.9	-	Neptune E&P UKCS Ltd	DNO North Sea (U.K.) Ltd, Ineos UK SNS Ltd, Premier Oil E&P UK Ltd
P558	10.0	-	Britoil Ltd	DNO North Sea (U.K.) Ltd, Rockrose UKCS 10 Ltd
P611	5.9	-	Neptune E&P UKCS Ltd	DNO North Sea (U.K.) Ltd, Ineos UK SNS Ltd, Premier Oil E&P UK Ltd
P803	10.0	-	BP Exploration Operating Company Ltd	DNO North Sea (U.K.) Ltd, Rockrose UKCS 10 Ltd

28. Oil and Gas License Portfolio (continued)

Ireland				
FEL3/19	20.0	-	CNOOC Petroleum Europe Ltd	DNO North Sea (U.K.) Ltd
Netherlands				
D15	5.0	-	Neptune E&P UKCS Ltd	DNO North Sea (U.K.) Ltd, Ineos UK SNS Ltd, Premier Oil E&P UK Ltd
D18a	2.5	-	Neptune E&P UKCS Ltd	DNO North Sea (U.K.) Ltd, Ineos UK SNS Ltd, Premier Oil E&P UK Ltd
Yemen				
Block 47	64.0	64.0	DNO Yemen AS	The Yemen Company, Geopetrol Hadramaut Incorporated

Held through equity-accounted investment Mondoil Côte d'Ivoire as a Joint Venture:

Region/license	Participating interest at end 2019 (percent)	Participating interest at end 2018 (percent)	Operator	Partners
Côte d'Ivoire				
Block CI-27	27.27	27.27	Foxtrot International LDC	SECI SA, Petroci*
Block CI-502**	24.00	24.00	Foxtrot International LDC	SECI SA, Petroci
Block CI-12	24.00	24.00	Foxtrot International LDC	SECI SA, Petroci

*Société Nationale d'Opérations Pétrolières de la Côte d'Ivoire

**Subsequent to year-end 2019 on 12 February 2020, the joint venture initiated relinquishment of the license.

29. Business combinations

DNO completed two transactions during 2019 as described below. Both transactions were regarded as business combinations and were accounted for by using the acquisition method in accordance with IFRS 3. The general principle in IFRS 3 is that the identifiable assets acquired and liabilities assumed are measured at their acquisition date fair values. Each identifiable asset and liability is measured at its acquisition date fair value based on guidance in IFRS 3 and IFRS 13. The standard defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This definition emphasises that the fair value is a market-based measurement, not an entity-specific measurement. When measuring the fair value, the Group uses the assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk. Acquired producing and development assets (i.e., PP&E) as well as discovery assets (i.e., intangible assets) were valued using the income-based approach. Future cash flows were calculated on the basis of expected production profiles and estimated proven and probable remaining reserves, and additional risked contingent resources.

The provisional fair values from the tables below are based on currently available information about fair values as of the acquisition dates. If new information becomes available within 12 months from the acquisition dates (measurement period), the Group may change the fair value assessment in the purchase price allocation ("PPA") in accordance with guidance in IFRS 3. Eventual changes in fair values will be recorded retrospectively from the acquisition dates. During 2019, no material measurement period changes were booked.

DNO's Acquisition of Faroe

During 2018, DNO acquired 111,494,028 shares in Faroe which represented 29.9 percent of the outstanding shares at year-end 2018. On 8 January 2019, DNO announced the terms of a cash offer for the entire issued and to be issued share capital of Faroe at a price of 160 pence in cash for each Faroe share. The offer became unconditional in all respects on 11 January 2019, which was when DNO obtained control over Faroe by achieving more than 50 percent ownership. The business combination was achieved in stages (i.e., step acquisitions) and change in fair value of the investment prior to control being obtained was recognised in other comprehensive income in 2019. DNO acquired 100 percent of the entire issued share capital of Faroe during February 2019 and de-listed the company from AIM on 14 February 2019.

The consideration payable by DNO under the terms of the final offer was funded from existing cash resources. DNO's main reason for the acquisition was to firmly establish itself in the North Sea. The Faroe acquisition strengthened the DNO Group's portfolio and operational capabilities in the North Sea, transforming the DNO Group into a more diversified company with a strong, second leg. Through the transaction, the DNO Group obtained attractive exploration, development and production projects and an experienced North Sea oil and gas team.

29. Business combinations (continued)

Preliminary Purchase Price Allocation

The acquisition was regarded as a business combination and is accounted for using the acquisition method in accordance with IFRS 3. The date of acquisition is determined to be the date the offer became unconditional, in all respects on 11 January 2019, which is when DNO obtained control over Faroe by achieving more than 50 percent ownership. The general principle in IFRS 3 is that the identifiable assets acquired and liabilities assumed are measured at their acquisition-date fair values. For accounting purposes, consistent with common practice, DNO designated 1 January 2019 as the acquisition date. A PPA was performed as of the acquisition date to allocate the consideration to provisional fair values of acquired assets and assumed liabilities of Faroe.

Provisional fair values of the acquired assets and liabilities assumed as of the acquisition date were as shown in the table below:

<i>USD million</i>	<i>Fair value at acquisition-date</i>
Deferred tax assets*	45.9
Other intangible assets	268.1
Property, plant and equipment	563.0
Right-of-use assets	2.0
Inventories	17.9
Trade and other receivables	121.0
Tax receivables	31.2
Cash and cash equivalents	154.5
Total assets	1,203.5
Deferred tax liabilities*	134.6
Interest-bearing liabilities (non-current)	100.0
Lease liabilities	2.0
Provisions for other liabilities and charges	408.6
Trade and other payables	180.8
Income tax payable	0.5
Current interest-bearing liabilities	17.7
Total liabilities	844.2
Total identifiable net assets at fair value	359.3
Consideration	812.0
Goodwill	452.7

*Deferred tax assets/liabilities are presented on a net basis in the statements of financial position if there is a legal right to settle current tax amounts on a net basis and the deferred tax amounts are levied by the same tax authority.

The PPA above does not include effects from the asset swap with Equinor as the transaction was completed on 30 April 2019, following approval by Norwegian authorities (see below). The note on disclosure information related to assets held for sale was included in the first quarter 2019 interim report issued by DNO.

The goodwill recognised in the transaction was mainly related to technical goodwill due to the requirement to recognise deferred taxes for the temporary difference between the assigned fair values and the tax bases of assets acquired and liabilities assumed in a business combination. The fair values of licences in the North Sea are based on cash flows after tax. This is because these licences are sold only on an after-tax basis. The purchaser is therefore not entitled to a tax deduction for the consideration paid above the seller's tax values. In accordance with IAS 12, a provision is made for deferred tax corresponding to the tax rate multiplied by the difference between the fair values of the acquired assets and the transferred tax depreciation basis (i.e., tax values). The offsetting entry to this deferred tax is technical goodwill. This goodwill will not be deductible for tax purposes. Acquisition-related costs of USD 10.4 million were expensed as incurred in the 2018 and 2019 accounts.

29. Business combinations (continued)

Faroe's total revenues and net profit/(loss) after income tax since the acquisition date included in the consolidated statement of comprehensive income for 2019 were USD 254 million and USD (156) million, respectively.

Assets Swap Agreement with Equinor

On 30 April 2019, DNO completed a swap agreement with Equinor, a wholly-owned subsidiary of Equinor ASA following approval by the Norwegian authorities. The swap agreement was signed on 4 December 2018 and represented a balanced swap with no cash consideration. The effective date of the transaction was 1 January 2019.

As part of the transaction, DNO's interests in the non-producing Njord and Hyme redevelopment and Bauge development assets (divested assets) acquired through the Faroe transaction were exchanged for interests in four Equinor-held producing assets on a cashless basis, including interests in the Alve, Marulk, Ringhorne East and Vilje fields (acquired assets). The Company received a USD 46 million payment from Equinor reflecting net income from the acquired assets, reimbursement of investments related to the divested assets and working capital adjustments from 1 January 2019 to transaction completion on 30 April 2019. The divested assets were derecognised, and no gain or loss was recorded in the Group accounts as the fair values of the divested assets corresponded to the fair values of the acquired assets.

Purchase price allocation

The acquisition date for accounting purposes was 30 April 2019, which was when the Norwegian authorities approved the transaction. A PPA was performed as of this acquisition date to allocate the consideration to provisional fair values of acquired assets and assumed liabilities of the acquired assets. Provisional fair values of the acquired assets and liabilities assumed as of the acquisition date were as shown in the table below:

USD million	Fair value at acquisition-date
Property, plant and equipment	141.5
Trade and other receivables	2.2
Tax receivables	(22.6)
Cash and cash equivalents	29.6
Total assets	150.7
Deferred tax liabilities*	89.1
Provisions for other liabilities and charges	14.0
Total liabilities	103.1
Total identifiable net assets at fair value	47.6
Fair value of divested/acquired assets	148.5
Goodwill	100.9

*Deferred tax assets/liabilities are presented on a net basis in the statements of financial position if there is a legal right to settle current tax amounts on a net basis and the deferred tax amounts are levied by the same tax authority.

The goodwill recognised in the transaction was related to technical goodwill due to the requirement to recognise deferred taxes for the temporary difference between the assigned fair values and the tax bases of assets acquired and liabilities assumed in a business combination. Licenses under development and licenses in production can only be sold on a post-tax value pursuant to the Norwegian Petroleum Taxation Act, Section 10. The assessment of fair value of such licenses is therefore based on cash flows after tax. In accordance with IAS 12, a provision is made for deferred tax corresponding to the tax rate multiplied by the difference between the fair values of the acquired assets and the transferred tax depreciation basis (i.e., tax values). The offsetting entry to this deferred tax is technical goodwill. This goodwill is not deductible for tax purposes.

Total revenues and net profit after income tax from the asset swap with Equinor since the acquisition date included in the consolidated statement of comprehensive income for 2019 were approximately USD 97 million and USD 9 million, respectively. For comparison purposes, assuming that the acquisition had taken place effective 1 January 2019, it is estimated that revenues in 2019 would have increased by USD 25 million and net profit after income tax would have increased by USD 5 million.

30. Events After the Reporting Period

The following events occurred in early 2020:

DNO Received 10 Awards in Norway's APA Licensing Round

On 14 January 2020, DNO announced that its wholly-owned subsidiary DNO Norge AS had been awarded participation in 10 exploration licenses, of which two are operatorships, under Norway's Awards in Predefined Areas ("APA") 2019 licensing round. Of the 10 new licenses, five are in the North Sea, two in the Norwegian Sea and three in the Barents Sea.

Foxtrot Signature of Gas Sales and Purchase Agreement and Production Sharing Contract Amendments

On 24 February 2020, the CI-27 joint venture partnership that includes Foxtrot International and the Government of Côte d'Ivoire signed amendments to their gas sales and purchase agreement and the PSC to extend the term of the agreements for 10 years until August 2034 and to increase the price of gas from the date of signature to USD 6.0 per MMBtu while maintaining the existing indexation formula. The take-or-pay level remains at 140 MMscfd. In connection with these amendments the CI-27 joint venture partnership will spend approximately USD 100 million on new onshore processing facilities and pipelines to supply gas to two new power stations to be built in Côte d'Ivoire. Additional drilling of five wells is planned over the period of the extension to boost the production capacity of the license.

DNO Extraordinary General Meeting Held; Resolution Passed by Shareholders

On 28 February 2020, DNO announced that its shareholders overwhelmingly approved the resolution to cancel all 108,381,415 of its own shares held by DNO at an Extraordinary General Meeting. The cancelled shares represented 10 percent of DNO's shares issued. The Company's shareholding in DNO increased from 40.45 percent to 44.94 percent as a result.

Coronavirus

On 11 March 2020, the World Health Organisation declared that the worldwide outbreak of coronavirus had become a pandemic with cases reported in over 118 nations and territories. The spread of coronavirus and responses to it have had significant adverse impacts on individuals, families, individual nations and the world economy as a whole.

Already, spreading infections in Kurdistan have resulted in border closures. In Norway, hundreds of cases have been reported and the government has enacted restrictions on travel into the country by non-residents and on domestic movements. Various other nations have closed borders and/or instituted extensive "shelter-in-place" and other restrictions that impair the ability of workers to travel to work and of businesses to operate. The Group has taken further steps to safeguard the health and safety of its personnel, including office closures and work-from-home protocols and repatriation of staff to their home countries.

The Group cannot forecast at this time all the disruptions to and effects resulting from coronavirus and responses to it, but they will be adverse and may continue to impact the Group's financial performance and the Company's and DNO's share prices.

DNO and Foxtrot International are closely monitoring the impact of the ongoing coronavirus pandemic, including on border closures, travel restrictions and interruptions to supply chains and third-party services, among others. Operational measures have been put in place to enhance the safety of our staff, including social distancing and changes to staff rotation. DNO and Foxtrot International will continue to implement measures to minimise the adverse impact on staff, operations, liquidity and financial results.

World Oil Market Dislocations

On 10 March 2020, Saudi Arabia announced that it intended to substantially increase its production of oil and cut prices. Russia announced it too intended to increase production. These announcements resulted in a substantial drop in world oil prices. The Company cannot predict whether or when a recovery or further decline in prices will take place.

A continued substantial decline in world oil prices would likely have a substantial adverse impact on the financial results of DNO and on its assets. Significantly lower oil prices affect DNO's revenues, profitability, ability and desirability of implementing drilling plans and overall short-to-medium term prospects of the business.

30. Events After the Reporting Period (continued)

Specifically, future oil price assumptions are key estimates in the Group's Consolidated and Parent Company Financial Statements and a change in these assumptions may impact the recoverable amount of the Group's oil and gas assets (increasing the risk of impairment), reserve and resource estimates, operational spend level and distribution of future dividends from its Investment Entities. Continuing low oil prices may also increase the credit risk related to the Group's trade receivables.

The significant decline in oil prices in the first quarter of 2020 is considered a non-adjusting event for the 2019 Consolidated and Parent Company Financial Statements, as the failure of Saudi Arabia and Russia to agree on cuts in oil production to help bolster price occurred in 2020.

DNO's 18 March Announcement

On 18 March 2020, DNO announced that it was taking substantial steps to mitigate the effects on its business of the coronavirus pandemic and the unprecedented conditions in the world oil market.

DNO announced a 30 percent (or USD 300 million) reduction in its 2020 budget to shore up its balance sheet; suspended most discretionary drilling and capital projects across its portfolio to focus instead on key projects in its core operating area in Kurdistan; froze all new ventures; and initiated staff reductions and entered into cost reduction negotiations with suppliers and contractors.

DNO's exploration, appraisal and development drilling campaign in Kurdistan has been scaled back, as both DNO and contractor staff movements and rotations have been impacted by border closings, quarantines and other coronavirus travel restrictions.

DNO projected that by the end of March, the number of active drilling rigs it deploys in Kurdistan will drop to two (including one workover rig) from six (two workover rigs) at the beginning of the year. Production at the Tawke and Peshkibir fields has begun to slide to below 115,000 barrels of oil per day.

DNO also announced that its ability to maintain its level of spending has also been strained by interruptions and delays to monthly payments for its oil exports from Kurdistan; at the time of DNO's announcement in March the last payment received in January covered September 2019 exports (see below; DNO Receipt of funds from the KRG).

Finally, DNO announced that its Board of Directors has decided not to make use of the authorisation granted at its 2019 Annual General Meeting to pay dividends for first half 2020 but remained committed to the programme.

DNO Receipt of Funds from the KRG

On 1 April 2020, DNO reported receipt of USD 77.2 million as payment for October 2019 crude oil deliveries to the export market from the Tawke license in Kurdistan. On 16 April 2020, DNO received USD 34.6 million for March 2020 crude oil deliveries to the export market from the Tawke license in Kurdistan. The funds will be shared by DNO and partner Genel Energy plc pro-rata to the companies' interests in the license. Separately, a payment of USD 5.7 million has been received net to DNO, representing three percent of gross October 2019 Tawke license revenues, as provided for under the August 2017 receivables settlement agreement with the KRG. DNO had previously received payment for August and September crude oil deliveries post year-end 2019.

DNO's Share Price Movement

DNO's share price at 31 March 2020 of NOK 2.92 was down 74.8 percent from NOK 11.57 at year-end 2019. This reflected in part the sharp decline in world oil prices and uncertainty due to the coronavirus pandemic.

Mashreq Loan Prepayment

On 19 April 2020, the Company made a prepayment of AED 18 million off its loan with Mashreq, bringing the outstanding balance of the loan to AED 27 million (USD 7.35 million).

We're not just hands on.
We're hands in.