

DNO ASA

Interim Results

First Quarter 2022



Cover photo: DNO's North Sea exploration team poring over license map covering the highly prospective area northwest of Troll.

Key figures

USD million	Quarters			Full-Year 2021
	Q1 2022	Q4 2021	Q1 2021	
Key financials				
Revenues	339.4	396.5	169.8	1,004.1
EBITDAX	293.6	267.4	129.8	739.3
EBITDA	287.7	208.8	119.3	606.9
Operating profit/-loss	236.2	128.2	66.3	320.9
Net profit/-loss	140.5	64.8	51.5	203.9
Netback	275.4	300.2	134.5	781.6
Free cash flow	151.6	227.4	0.9	362.0
Operational spend	159.4	170.5	125.7	663.8
Net cash/- debt	-26.6	-153.4	-472.9	-153.4
Lifting costs (USD/boe)	6.1	5.1	4.9	5.3
Netback (USD/boe)	33.1	34.6	15.1	22.7
Key operational data				
Gross operated production (boepd)	106,465	107,472	111,985	108,713
Net production (boepd)	92,548	94,175	99,162	94,477
Sales volume (boepd)	37,359	52,655	39,546	42,171

For more information about key figures, see the section on alternative performance measures.

Oil and gas are back, DNO never left

- DNO delivers another strong quarter with record cash generated from operations
- Operating profit up 84 percent from prior quarter
- Foot on the accelerator in Kurdistan, spudding five wells at Tawke license in Q1 2022 at both Tawke and Peshkibir fields while preparing to add a fourth drilling rig
- Baeshiqa ready to commence production from Zartik-1 discovery well awaiting final government approvals; Zartik-2 development well spudded in Q1 2022
- In North Sea, exciting 2022 exploration program kicked off with play-opening Kveikje discovery
- Increased operating profit allows raising investments in core business, debt reduction and increased dividends

Q1 2022 operational highlights

- Gross operated Tawke license production averaged 106,500 barrels of oil per day (bopd) in Q1 2022 (107,500 bopd in Q4 2021) of which 79,800 bopd net to DNO's interest (80,600 bopd Q4 2021)
- North Sea contributed another 12,700 barrels of oil equivalent per day (boepd), down from 13,600 boepd in Q4 2022
- Totaling 92,500 boepd net to DNO in Q1 2022 (94,200 boepd in Q4 2021)
- Kveikje discovery (announced in April) strengthens DNO in North Sea core area

- DNO had 94 licenses across its portfolio at end quarter (26 operated), of which two in Kurdistan, 77 in Norway, 11 in the United Kingdom, two in the Netherlands, one in Ireland and one in Yemen

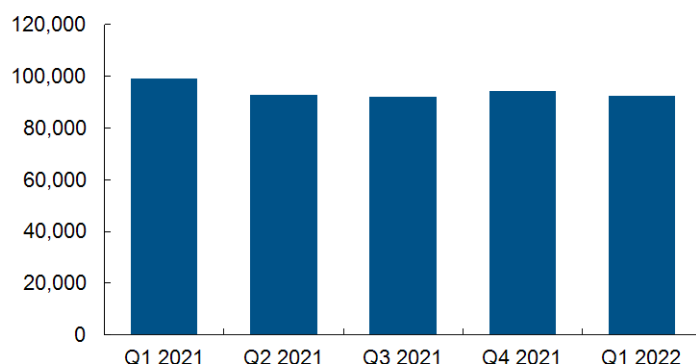
Q1 2022 financial highlights

- Quarter-on-quarter hike in operating profit to USD 236 million (USD 128 million in Q4 2021) on revenues of USD 339 million (USD 396 million in Q4 2021)
- Kurdistan revenues of USD 209 million (USD 180 million in Q4 2021) on back of strong oil prices and solid production performance
- North Sea revenues of USD 131 million, down from USD 216 million in Q4 2021 primarily due to underlift in Q1 2022 compared to large overlift in Q4 2021
- Dividend of NOK 0.20 per share paid in March
- On a cash basis, received USD 207 million from Kurdistan in Q1 2022 of which entitlement represented USD 161 million, override USD 14 million and USD 32 million towards arrears built up from non-payment of certain invoices in 2019 and 2020
- No change in projected operational spend for 2022

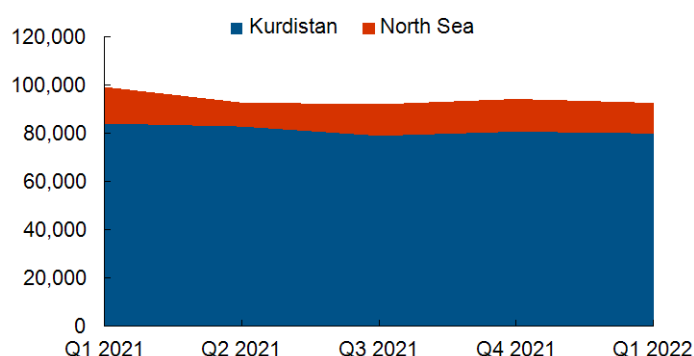
Operational review

Production

Quarterly net production (boepd)



Net production by segment (boepd)



Gross operated Tawke license production including the Tawke and Peshkabar fields averaged 106,465 bopd during the first quarter, compared to 107,742 bopd in the previous quarter.

Net production during the first quarter stood at 92,548 boepd, compared to 94,175 boepd in the previous quarter. In Kurdistan, net production averaged 79,848 bopd, compared to 80,604 bopd in the previous quarter. Net production from the North Sea averaged 12,700 boepd, down from 13,571 boepd in the previous quarter. The North Sea production in the first quarter was negatively impacted by a 35-day field shutdown on Tambar, well shut-ins on Ula and production was shut in on Oda for 14 days due to infill drilling. This was partly mitigated by higher gas production from Alve.

Net entitlement (NE) production averaged 39,370 boepd during the first quarter, down from 42,938 boepd in the previous quarter.

Sales volume averaged 37,359 boepd during the quarter, down from 52,655 boepd in the previous quarter. The reduction in sales volume was mainly due to no lifting on Brage as the field lifted in the previous quarter, lower liftings from Ula/Tambar fields and Ringhorne East, and by oil price impact on the Tawke license net entitlement volumes. As of Q1 2022, the net underlift position was 0.3 million barrels of oil equivalent (MMboe) as of Q1 2022 (0.1 MMboe as of Q4 2021).

Gross operated production

boepd	Q1 2022	Quarters		Full-Year
		Q4 2021	Q1 2021	2021
Kurdistan	106,465	107,472	111,985	108,713
North Sea	-	-	-	-
Total	106,465	107,472	111,985	108,713

Table above shows gross operated production from the Group's operated licenses.

Net production

boepd	Q1 2022	Quarters		Full-Year
		Q4 2021	Q1 2021	2021
Kurdistan	79,848	80,604	83,989	81,535
North Sea	12,700	13,571	15,173	12,942
Total	92,548	94,175	99,162	94,477

Net production is based on DNO's percentage ownership in the licenses.

Net entitlement (NE) production

boepd	Q1 2022	Quarters		Full-Year
		Q4 2021	Q1 2021	2021
Kurdistan	26,670	29,367	28,593	28,091
North Sea	12,700	13,571	15,173	12,942
Total	39,370	42,938	43,766	41,033

NE production from the North Sea equals the segment's net production.

Sales volume

boepd	Q1 2022	Quarters		Full-Year
		Q4 2021	Q1 2021	2021
Kurdistan	26,670	29,367	28,593	28,091
North Sea	10,689	23,289	10,953	14,080
Total	37,359	52,655	39,546	42,171

Sales volume reflect North Sea lifted volumes and NE for Kurdistan.

Activity overview

Kurdistan region of Iraq

Tawke license

Gross production from the Tawke license, containing the Tawke and Peshkabir fields, averaged 106,465 bopd during the first quarter of 2022 (107,472 bopd in Q4 2021). The Peshkabir field contributed 64,493 bopd (62,869 in Q4 2021) and the Tawke field contributed 41,972 bopd (44,602 in Q4 2021) during this period.

The Company maintained a high activity level in the first quarter of 2022, spudding five wells at Tawke license at both Tawke and Peshkabir fields while preparing to add a fourth drilling rig.

DNO's USD 110 million Peshkabir-Tawke gas project has captured 12 billion cubic feet of otherwise flared gas equivalent to 766,000 tonnes of CO₂ equivalent, since start up in mid-2020 through the first quarter of 2022. Phase 2 is a USD 25 million expansion underway at the Tawke field to capture breakthrough gas starting in the fourth quarter of 2022. The Company is also debottlenecking the Peshkabir gas plant originally designed for 50,000 bopd to handle larger volumes of associated gas from higher field production now averaging 65,000 bopd.

DNO holds a 75 percent operated interest in the Tawke and Peshkabir fields with partner Genel Energy plc (25 percent).

Baeshiqa license

During the first quarter of 2022, the first phase field development of the Baeshiqa license has been fast-tracked, with a third well, Zartik-2, currently drilling ahead at 2,300 meters.

DNO holds a 64 percent operated interest in the license (80 percent paying interest) with partners being TEC with a 16 percent interest (20 percent paying interest) and the KRG with a 20 percent carried interest.

North Sea

Net production averaged 12,700 boepd in the North Sea during the first quarter of 2022 (13,571 boepd in Q4 2021), of which 12,567 boepd was in Norway and 133 boepd in the UK (13,223 boepd and 348 boepd in Q4 2021). North Sea production was down due to a one-month shutdown at the Tambar field.

DNO's active 2022 exploration program comprising seven wells was kicked off with two wells spudded in the first quarter. Shortly after the end of the quarter, DNO announced the likely commercial Kveikje discovery, considered to be a play-opener which de-risks prospects in nearby licenses and adding to the Company's strong position in a new exploration hotspot in the Troll/Gjøa area.

In addition to exploration, DNO is maturing several projects in Norway towards PDO decision by end 2022, supporting the Company's North Sea growth ambitions.

Financial review

Revenues, operating profit and cash

Revenues in the first quarter stood at USD 339.4 million, down from USD 396.5 million in the previous quarter. Kurdistan generated revenues of USD 208.6 million (USD 180.4 million in the previous quarter), while the North Sea generated revenues of USD 130.8 million (USD 216.1 million in the previous quarter). The decrease in revenues was primarily driven by North Sea underlifting in the quarter compared to an overlifting in the previous quarter mainly related to Brage, Ringhorne East and Ula area fields, partially offset by higher Tawke license revenues on the back of higher oil price.

The Group reported an operating profit of USD 236.2 million in the first quarter, up from USD 128.2 million in the previous quarter mainly driven by higher oil and gas prices, lower expensing of exploration and no impairments booked in the quarter.

The Group ended the quarter with a cash balance of USD 847.7 million and USD 26.6 million in net interest-bearing debt, compared to USD 736.6 million and USD 153.4 million at yearend 2021, respectively.

Cost of goods sold

In the first quarter, the cost of goods sold amounted to USD 94.9 million, down from USD 165.1 million in the previous quarter. The decrease in cost of goods sold was due to North Sea underlifting in the quarter compared to an overlifting in the previous quarter.

Lifting costs

Lifting costs stood at USD 50.8 million in the first quarter, compared to USD 44.2 million in the previous quarter. In Kurdistan, the average lifting cost during the first quarter was USD 3.9 per barrel (USD 3.5 per barrel in the previous quarter). In the North Sea, the average lifting cost during the first quarter stood at USD 19.9 per barrel of oil equivalent (boe) (USD 14.4 per boe in the previous quarter). The increase in the North Sea average lifting cost per boe compared to the previous quarter was mainly due to lower production from the Ula area fields.

USD million	Quarters			Full-Year
	Q1 2022	Q4 2021	Q1 2021	2021
Kurdistan	28.1	26.3	22.0	99.6
North Sea	22.7	18.0	21.9	84.6
Total	50.8	44.2	43.9	184.2

(USD/boe)	Quarters			Full-Year
	Q1 2022	Q4 2021	Q1 2021	2021
Kurdistan	3.9	3.5	2.9	3.3
North Sea	19.9	14.4	16.0	17.9
Average	6.1	5.1	4.9	5.3

Depreciation, depletion and amortization (DD&A)

DD&A from the Group's oil and gas production assets amounted to USD 50.1 million in the first quarter, compared to USD 52.0 million in the previous quarter.

USD million	Quarters			Full-Year
	Q1 2022	Q4 2021	Q1 2021	2021
Kurdistan	31.8	31.8	30.3	120.8
North Sea	18.3	20.1	21.0	79.2
Total	50.1	52.0	51.3	200.1

(USD/boe)	Quarters			Full-Year
	Q1 2022	Q4 2021	Q1 2021	2021
Kurdistan	13.2	11.8	11.8	11.8
North Sea	16.0	16.1	15.4	16.8
Average	14.1	13.2	13.0	13.4

Exploration costs expensed

Exploration costs expensed in the first quarter amounted to USD 5.8 million, down from USD 58.6 million in the previous quarter mainly explained by expensing of wells and seismic purchase in Q4 2021.

USD million	Quarters			Full-Year
	Q1 2022	Q4 2021	Q1 2021	2021
Kurdistan	-	1.2	0.3	2.8
North Sea	5.8	57.4	10.1	129.6
Total	5.8	58.6	10.5	132.3

Capital expenditures

Capital expenditures costs stood at USD 81.6 million in the first quarter, of which USD 44.7 million were in Kurdistan and USD 36.9 million in the North Sea.

USD million	Quarters			Full-Year
	Q1 2022	Q4 2021	Q1 2021	2021
Kurdistan	44.7	38.8	13.8	94.9
North Sea	36.9	36.2	36.8	185.1
Other	0.0	0.5	0.1	0.7
Total	81.6	75.6	50.8	280.6

Consolidated statements of comprehensive income

(unaudited, in USD million)	Note	Quarters		Full-Year
		Q1 2022	Q1 2021	2021
Revenues	2,3	339.4	169.8	1,004.1
Cost of goods sold	4	-94.9	-85.8	-443.1
Gross profit		244.5	84.0	561.0
Other income/-expenses		0.5	-	0.5
Administrative expenses		-2.6	-5.5	-16.2
Other operating expenses		-0.3	-1.7	-12.0
Impairment oil and gas assets	7	-	-	-80.1
Exploration expenses	5	-5.8	-10.5	-132.3
Operating profit/-loss		236.2	66.3	320.9
Financial income	9	0.2	7.8	26.0
Financial expenses	9,10	-29.1	-27.6	-126.7
Profit/-loss before income tax		207.4	46.5	220.1
Tax income/-expense	6	-66.9	5.0	-16.3
Net profit/-loss		140.5	51.5	203.9
Other comprehensive income				
Currency translation differences		4.9	3.9	-12.5
Items that may be reclassified to profit or loss in later periods		4.9	3.9	-12.5
Net fair value changes from financial instruments	8	6.9	4.7	3.6
Items that are not reclassified to profit or loss in later periods		6.9	4.7	3.6
Total other comprehensive income, net of tax		11.8	8.6	-8.9
Total comprehensive income, net of tax		152.3	60.1	195.0
Net profit/-loss attributable to:				
Equity holders of the parent		140.5	51.5	203.9
Total comprehensive income attributable to:				
Equity holders of the parent		152.3	60.1	195.0
Earnings per share, basic (USD per share)		0.14	0.05	0.21
Earnings per share, diluted (USD per share)		0.14	0.05	0.21
Weighted average number of shares outstanding (millions)		975.43	975.43	975.43

Consolidated statements of financial position

ASSETS		At 31 Mar		At 31 Dec
(unaudited, in USD million)	Note	2022	2021	2021
Non-current assets				
Deferred tax assets	6	21.7	46.3	29.3
Goodwill	7	88.3	162.2	88.2
Other intangible assets	7	248.8	315.7	232.4
Property, plant and equipment	7	1,303.3	1,166.2	1,284.9
Financial investments	8	23.1	17.3	16.2
Other non-current receivables	9	0.5	52.8	19.4
Tax receivables	6	6.6	1.7	-
Total non-current assets		1,692.2	1,762.3	1,670.4
Current assets				
Inventories	4	36.2	36.8	35.8
Trade and other receivables	9	496.1	447.6	483.8
Tax receivables	6	20.6	78.3	21.1
Cash and cash equivalents		847.7	477.1	736.6
Total current assets		1,400.5	1,039.8	1,277.3
TOTAL ASSETS		3,092.7	2,802.1	2,947.8
EQUITY AND LIABILITIES				
(unaudited, in USD million)	Note	At 31 Mar		At 31 Dec
		2022	2021	2021
Equity				
Shareholders' equity		1,149.2	905.7	1,018.8
Total equity		1,149.2	905.7	1,018.8
Non-current liabilities				
Deferred tax liabilities	6	296.2	204.7	267.3
Interest-bearing liabilities	10	850.1	936.0	873.4
Provisions for other liabilities and charges	11	398.0	444.1	402.4
Total non-current liabilities		1,544.2	1,584.8	1,543.2
Current liabilities				
Trade and other payables	12	219.6	190.1	232.6
Income taxes payable	6	61.8	-	33.1
Current interest-bearing liabilities	10	8.9	-	-
Provisions for other liabilities and charges	11	109.1	121.5	120.1
Total current liabilities		399.3	311.6	385.8
Total liabilities		1,943.5	1,896.4	1,929.0
TOTAL EQUITY AND LIABILITIES		3,092.7	2,802.1	2,947.8

Consolidated cash flow statement

(unaudited, USD million)	Note	Quarters		Full-Year
		Q1 2022	Q1 2021	2021
Operating activities				
Profit/-loss before income tax		207.4	46.5	220.1
Adjustments to add/-deduct non-cash items:				
Exploration cost previously capitalized carried to cost	5	0.9	-	54.1
Depreciation, depletion and amortization	4	51.5	53.0	206.0
Impairment oil and gas assets	7	-	-	80.1
Amortization of borrowing issue costs		1.2	1.4	9.4
Accretion expense on ARO provisions		4.0	4.5	17.7
Interest expense		17.3	18.8	74.2
Interest income		-0.2	-0.3	-1.7
Other		4.4	-3.2	1.0
Change in working capital items and provisions:				
- Inventories		-0.3	5.1	5.0
- Trade and other receivables	9	5.6	-70.9	-99.5
- Trade and other payables		-13.0	9.7	55.1
- Provisions for other liabilities and charges		-2.6	3.2	3.8
Cash generated from operations		276.0	67.7	625.3
Tax refund received/-repaid		-12.3	15.2	174.7
Interest received		0.3	0.3	1.7
Interest paid		-17.1	-19.5	-73.0
Net cash from/-used in operating activities		246.9	63.7	728.8
Investing activities				
Purchases of intangible assets		-14.5	-7.5	-86.8
Purchases of tangible assets		-67.1	-43.3	-193.8
Payments for decommissioning		-13.7	-12.0	-86.2
Proceeds from license transactions		-	-	4.7
Net cash from/-used in investing activities		-95.2	-62.8	-362.0
Financing activities				
Proceeds from borrowings	10	-	-	400.0
Repayment of borrowings	10	-15.7	-	-459.0
Payment of debt issue costs		-	-	-15.6
Paid dividend		-22.2	-	-22.2
Payments of lease liabilities		-2.7	-1.1	-8.6
Net cash from/-used in financing activities		-40.5	-1.1	-105.4
Net increase/-decrease in cash and cash equivalents		111.2	-0.2	261.5
Cash and cash equivalents at beginning of the period		736.6	477.1	477.1
Exchange gain/-losses on cash and cash equivalents		-0.0	0.2	-2.0
Cash and cash equivalents at the end of the period		847.7	477.1	736.6
Of which restricted cash		23.5	12.7	15.8

Consolidated statement of changes in equity

(unaudited, in USD million)	Share capital	Share premium	Other comprehensive income		Retained earnings	Total equity
			Fair value changes equity instruments	Currency translation differences		
Total shareholders' equity as of 31 December 2020	32.9	247.7	36.1	-65.0	593.9	845.6
Fair value changes from equity instruments	-	-	4.7	-	-	4.7
Currency translation differences	-	-	-	3.9	-	3.9
Other comprehensive income/-loss	-	-	4.7	3.9	-	8.6
Profit/-loss for the period	-	-	-	-	51.5	51.5
Total comprehensive income	-	-	4.7	3.9	51.5	60.1
Payment of dividend	-	-	-	-	-	-
Transactions with shareholders	-	-	-	-	-	-
Total shareholders' equity as of 31 March 2021	32.9	247.7	40.8	-61.1	645.4	905.7

(unaudited, in USD million)	Share capital	Share premium	Other comprehensive income		Retained earnings	Total equity
			Fair value changes equity instruments	Currency translation differences		
Total shareholders' equity as of 31 December 2021	32.9	247.7	39.7	-77.5	776.0	1,018.8
Fair value changes from equity instruments	-	-	6.9	-	-	6.9
Currency translation differences	-	-	-	4.9	-	4.9
Other comprehensive income/-loss	-	-	6.9	4.9	-	11.8
Profit/-loss for the period	-	-	-	-	140.5	140.5
Total comprehensive income	-	-	6.9	4.9	140.5	152.3
Payment of dividend	-	-	-	-	-21.9	-21.9
Transactions with shareholders	-	-	-	-	-21.9	-21.9
Total shareholders' equity as of 31 March 2022	32.9	247.7	46.6	-72.6	894.6	1,149.2

Notes to the consolidated interim financial statements

Note 1 | Basis of preparation and accounting policies

Principal activities and corporate information

DNO ASA (the Company) and its subsidiaries (DNO or the Group) are engaged in international oil and gas exploration, development and production.

Basis of preparation

DNO ASA's consolidated interim financial statements have been prepared in accordance with International Accounting Standard (IAS) 34 *Interim Financial Reporting* and IFRS standards issued and effective at date of reporting as adopted by the EU. These interim financial statements have also been prepared in accordance with Oslo Stock Exchange regulations.

The interim financial statements do not include all of the information and disclosures required in the annual financial statements and should be read in conjunction with the DNO ASA Annual Report and Accounts 2021.

The interim financial information for 2022 and 2021 is unaudited.

Subtotals and totals in some of the tables included in these interim financial statements may not equal the sum of the amounts shown due to rounding.

The interim financial statements have been prepared on a historical cost basis, with the following exception: liabilities related to share-based payments, derivative financial instruments and equity instruments are recognized at fair value. A detailed description of the accounting policies applied is included in the DNO ASA Annual Report and Accounts 2021.

The accounting policies adopted in the preparation of the interim financial statements are consistent with those followed in the preparation of DNO ASA Annual Report and Accounts 2021.

Note 2 | Segment information

The Group reports the following two operating segments: Kurdistan and the North Sea (which includes the Group's oil and gas activities in Norway and the UK). The segment assets/liabilities do not include internal receivables/liabilities.

First quarter ending 31 March 2022 USD million	Note	Kurdistan	North Sea	Other	Total reporting segments	Un-allocated/eliminated	Total Group
Income statement information							
Revenues	3	208.6	130.8	-	339.4	-	339.4
Inter-segment revenues		-	-	-	-	-	-
Cost of goods sold	4	-59.9	-34.1	-	-94.0	-0.9	-94.9
Gross profit		148.7	96.7	-	245.4	-0.9	244.5
Operating profit/-loss		148.4	91.2	-0.3	239.3	-3.0	236.2
Financial income/-expense (net)	9,10						-28.8
Tax income/-expense	6	-	-66.9	-	-66.9	-	-66.9
Net profit/-loss							140.5
Financial position information							
Non-current assets		674.4	984.8	-	1,659.2	32.9	1,692.2
Current assets		392.6	384.1	11.5	788.2	612.3	1,400.5
Total assets		1,067.0	1,369.0	11.5	2,447.5	645.2	3,092.7
Non-current liabilities		63.7	706.5	-	770.1	774.0	1,544.2
Current liabilities		93.4	256.1	36.0	385.4	13.9	399.3
Total liabilities		157.0	962.5	36.0	1,155.6	787.9	1,943.5

Note 2 | Segment information (continued)

First quarter ending 31 March 2021 USD million	Note	Kurdistan	North Sea	Other	Total reporting segment	Un-allocated/ eliminated	Total Group
Income statement information							
Revenues	3	123.4	46.5	-	169.8	-	169.8
Inter-segment revenues		-	-	-	-	-	-
Cost of goods sold	4	-52.4	-32.6	-	-85.0	-0.8	-85.8
Gross profit		71.0	13.9	-	84.8	-0.8	84.0
Operating profit/-loss		69.8	3.2	-1.4	71.6	-5.2	66.3
Financial income/-expense (net)	9, 10						-19.9
Tax income/-expense	6	-	5.0	-	5.0	-	5.0
Net profit/-loss							51.5
Financial position information							
Non-current assets		684.3	1,048.5	-	1,732.8	29.5	1,762.3
Current assets		355.4	359.8	4.9	720.2	319.6	1,039.8
Total assets		1,039.7	1,408.3	4.9	2,453.0	349.1	2,802.1
Non-current liabilities		61.1	726.6	-	787.7	797.1	1,584.8
Current liabilities		64.3	201.3	29.8	295.4	16.2	311.6
Total liabilities		125.4	927.8	29.8	1,083.1	813.3	1,896.4

Note 3 | Revenues

USD million	Quarters		Full-Year
	Q1 2022	Q1 2021	2021
Sale of oil	239.0	147.2	828.1
Sale of gas	88.6	17.6	151.3
Sale of natural gas liquids (NGL)	10.8	3.7	21.3
Tariff income	1.1	1.2	3.4
Total revenues from contracts with customers	339.4	169.8	1,004.1
Sale of oil (bopd)	30,157	33,268	36,583
Sale of gas (boepd)	5,348	5,265	4,344
Sale of natural gas liquids (NGL) (boepd)	1,854	1,013	1,244
Total sales volume (boepd)	37,359	39,546	42,171

Note 4 | Cost of goods sold/ Inventory

USD million	Quarters		Full-Year
	2022	2021	2021
Lifting costs	-50.8	-43.9	-184.2
Tariff and transportation expenses	-6.6	-8.5	-34.5
Production costs based on produced volumes	-57.4	-52.4	-218.8
Movement in overlift/underlift	13.9	19.6	-18.3
Production costs based on sold volumes	-43.4	-32.8	-237.0
Depreciation, depletion and amortization	-51.5	-53.0	-206.0
Total cost of goods sold	-94.9	-85.8	-443.1

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 Group for the use of infrastructure owned by other companies in the North Sea.

USD million	At 31 Mar		At 31 Dec
	2022	2021	2021
Spare parts	36.2	36.8	35.8
Total inventory	36.2	36.8	35.8

Total inventory of USD 36.2 million as of 31 March 2022 was related to Kurdistan (USD 20.0 million) and the North Sea (USD 16.2 million).

Note 5 | Exploration expenses

USD million	Quarters		Full-Year
	Q1 2022	Q1 2021	2021
Exploration expenses (G&G and field surveys)	-2.6	-5.4	-19.1
Seismic costs	-0.5	-0.6	-37.6
Exploration cost capitalized in previous years carried to cost	-	-	-13.4
Exploration costs capitalized this year carried to cost	0.9	-0.1	-40.7
Other exploration cost expensed	-3.6	-4.4	-21.5
Total exploration expenses	-5.8	-10.5	-132.3

Note 6 | Income taxes

USD million	Quarters		Full-Year
	Q1 2022	Q1 2021	2021
Tax income/-expense			
Change in deferred taxes	-33.4	-27.2	-115.2
Income tax receivable/-payable	-33.5	32.2	98.9
Total tax income/-expense	-66.9	5.0	-16.3

USD million	At 31 Mar	At 31 Dec	
	2022	2021	2021
Income tax receivable/-payable			
Tax receivables (non-current)	6.6	1.7	-
Tax receivables (current)	20.6	78.3	21.1
Income taxes payable	-61.8	-	-33.1
Net tax receivable/-payable	-34.6	80.0	-11.9
Deferred tax assets/-liabilities			
Deferred tax assets	21.7	46.3	29.3
Deferred tax liabilities	-296.2	-204.7	-267.3
Net deferred tax assets/-liabilities	-274.5	-158.4	-238.0

The tax balances relate to activity on the Norwegian Continental Shelf (NCS) and the UK Continental Shelf (UKCS). Current tax receivable of USD 20.6 million relate to tax refund of decommissioning spend on the UKCS for 2021 expected to be received during the third quarter of 2022. Non-current tax receivable of USD 6.6 million relate to tax refund of decommissioning spend on the UKCS for 2022. Current income tax payable of USD 61.8 million relate to NCS and consist of repayment of tax refunds that exceeded the tax value of actual losses for 2021 and tax on taxable profits in 2022.

During April 2022, the Norwegian Government proposed certain changes to the taxation of oil and gas companies operating on the NCS with effect from 2022. The companies will be able to expense the investments immediately in the special tax basis and receive cash refund of tax value of all losses in the special tax basis. The uplift on investments is proposed discontinued. The ordinary corporate tax will be deductible in the special tax basis and to maintain a combined marginal tax rate of 78 percent, the special tax rate is increased to 71.8 percent. Losses in the corporate tax basis will not be eligible for refund but can be carried forward. Moreover, tax value of unused uplift and carried forward losses as of yearend 2021 will be paid out in connection with the 2022 tax assessment in November 2023. Provisions under the temporary changes extending beyond 2021 will not be materially impacted. The proposal has not been approved by the Norwegian Parliament and may be subject to adjustments. Taxes on the NCS for Q1 2022 are therefore calculated based on the tax legislation that applies when the report is issued. If the proposal is approved, limited impact is estimated on DNO's asset values and net profit/-loss, however a reclassification will be required between tax payable (decrease) and the deferred tax liability (increase) as the proposed changes will accelerate the tax depreciation of capital investments.

Under the terms of the Production Sharing Contracts (PSC) in the Kurdistan region of Iraq, the Company's subsidiary, DNO Iraq AS, 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 DNO. 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 the KRG and there is currently no well-established tax regime for international oil companies. This is an accounting presentational issue and there is no corporate income tax required to be paid.

Profits/-losses by Norwegian companies from upstream activities outside of Norway are not taxable/deductible in Norway in accordance with the General Tax Act, section 2-39. Under these rules only certain financial income and expenses are taxable in Norway.

Note 7 | Intangible assets/ Property, plant and equipment (PP&E)

USD million	Quarters		Full-Year
	Q1 2022	Q1 2021	2021
Additions of intangible assets	14.5	7.5	86.8
Additions of intangible assets through license acquisition	-	-	35.2
Divestments of intangible assets through license acquisition	-	-	-6.0
Transfers to/-from intangible assets	-	-	-125.7
Additions of tangible assets	67.1	43.4	206.4
Transfers to/-from tangible assets	-	-	129.7
Additions of right-of-use (RoU) assets	-	0.3	14.6
Depreciation, depletion and amortization (Note 4)	-51.5	-53.0	-206.0
Impairment oil and gas assets	-	-	-80.1
Exploration cost previously capitalized carried to cost (Note 5)	0.9	-0.1	-54.1

Book values at the end of the reporting dates

USD million	At 31 Mar		At 31 Dec
	2022	2021	2021
Goodwill	88.3	162.2	88.3
Other intangible assets	248.8	315.7	232.4
Tangible assets (presented as part of the PP&E)	1,285.6	1,150.7	1,264.3
RoU assets (presented as part of the PP&E)	17.6	15.5	20.6

Additions of intangible assets are related to exploration and evaluation expenditures (successful efforts method), license interests and administrative software. Additions of tangible assets are related to oil and gas development and production assets including changes in estimate of asset retirement, and other tangible assets. Additions of right-of-use (RoU) assets are related to lease contracts under IFRS 16 *Leases*, see Note 11.

Impairment assessment

At each reporting date, the Group assesses whether there is an indication that an asset may be impaired. An assessment of the recoverable amount is made when an impairment indicator exists. Goodwill is tested for impairment annually or more frequently when there are impairment indicators. Impairment is recognized when the carrying amount of an asset or a cash-generating unit (CGU), including associated goodwill, exceeds the recoverable amount. The recoverable amount is the higher of the asset's fair value less cost to sell and the value in use.

As of 31 March 2021, the Company did not identify any impairment indicators and as such no impairment testing was performed.

Note 8 | 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).

USD million	Quarters		At 31 Dec
	Q1 2022	Q1 2021	2021
Beginning of the period	16.2	12.6	12.6
Fair value changes through other comprehensive income (FVTOCI)	6.9	4.7	3.6
Total financial investments end of the period	23.1	17.3	16.2

Financial investments relate to the Company's shares in RAK Petroleum plc.

As of 31 March 2022, the Company held a total of 15,849,737 shares in RAK Petroleum plc. RAK Petroleum plc is listed on the Oslo Stock Exchange. Through its subsidiary, RAK Petroleum Holdings B.V., RAK Petroleum plc is the largest shareholder in DNO ASA with 44.94 percent of the total issued shares. Change in fair value during the quarter was recognized in other comprehensive income.

Note 9 | Other non-current receivables/ Trade and other receivables

USD million	At 31 Mar		At 31 Dec
	2022	2021	2021
Trade debtors (non-current portion)	-	52.4	18.2
Other non-current receivables	0.5	0.4	1.3
Total other non-current receivables	0.5	52.8	19.4
Trade debtors	368.8	284.7	344.4
Underlift	22.3	42.7	17.2
Other short-term receivables	105.0	120.1	122.2
Total trade and other receivables	496.1	447.6	483.8

Total book value of trade debtors of USD 368.8 million as of 31 March 2022 relate mainly to the Tawke license arrears for 2019 and 2020 entitlement and override invoices (USD 136.9 million), and outstanding invoices for Tawke license crude oil deliveries for the months January through March 2022 (USD 208.6 million) in addition to invoice for override for December 2022 (USD 5.9 million). See also Note 13 regarding subsequent events after the reporting date.

In December 2020, the KRG informed the international oil companies operating in Kurdistan of a payment plan whereby the KRG stated it would pay 50 percent of incremental revenue in any month in which Brent prices exceed USD 50 per barrel towards the arrears for 2019 and 2020. In May 2021, the KRG informed the international oil companies of revised terms reducing the payment of the arrears to 20 percent of incremental revenue in any month in which Brent prices exceed USD 50 per barrel. The KRG also advised that all international oil company invoices, including towards the arrears, will be settled within 60 days of receipt. The Company expects at a minimum to recover the full nominal value of the withheld receivables, and DNO continues to work to improve the terms of recovery of the arrears, including but not limited to interest payments.

At yearend 2021, due to the IFRS 9 requirement to incorporate the time value of money, the Company performed an estimation of the present value of the arrears. The book value of the Tawke license arrears were increased by USD 16 million when comparing the book value of the arrears to the estimated present value, entirely reversing the financial expense recognized in 2020. Moreover, the classification of the receivables (current/non-current portion) was updated accordingly. As of 31 March 2022, in line with IFRS 9, the Company made a re-run of the estimated present value of the arrears. The classification of the arrears (current/non-current portion) was updated accordingly.

The calculation of present value in accordance with IFRS 9, takes into account the most recent production forecasts for the Tawke license and the Company's Brent price assumptions to determine the expected timing of payments towards the arrears plus contractual interests under IFRS 9, and reflects the probability-weighted amount for a range of possible scenarios including probability-weighted Brent price scenarios with a probability assigned to each. The discount rate applied reflects the Company's cost of debt.

The underlift receivable of USD 22.3 million as of 31 March 2022 relates to North Sea underlifted volumes. 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.

Note 10 | Interest-bearing liabilities

Interest-bearing liabilities

USD million	Ticker	Facility currency	Facility amount/limit	Interest	Maturity	At 31 Mar		At 31 Dec
						2022	2021	2021
Non-current								
Bond loan (ISIN NO0010823347)	DNO02	USD	-	-	-	-	400.0	-
Bond loan (ISIN NO0010852643)	DNO03	USD	379.2	8.375 %	29/05/24	379.2	400.0	394.9
Bond loan (ISIN NO0011088593)	DNO04	USD	400.0	7.875 %	09/09/26	400.0	-	400.0
Capitalized borrowing issue costs						-15.3	-14.0	-16.5
Reserve based lending facility		USD	350.0	see below	see below	86.1	150.0	95.0
Total non-current interest-bearing liabilities						850.1	936.0	873.4
Current								
Reserve based lending facility (current)		USD	350.0	see below	see below	8.9	-	-
Total current interest-bearing liabilities						8.9	-	-
Total interest-bearing liabilities						858.9	936.0	873.4

Changes in liabilities arising from financing activities split on cash and non-cash changes

USD million	At 1 Jan 2022	Cash flows		Non-cash changes		At 31 Mar 2022
		Amortization	Currency	Reclassification		
Bond loans	794.9	-15.7	-	-	-	779.2
Borrowing issue costs	-16.5	-	1.2	-	-	-15.3
Reserve based lending facility	95.0	-	-	-	-8.9	86.1
Reserve based lending facility (current)	-	-	-	-	8.9	8.9
Total	873.4	-15.7	1.2	-	-	858.9

USD million	At 1 Jan 2021	Cash flows		Non-cash changes		At 31 Mar 2021
		Amortization	Currency	Reclassification		
Bond loans	800.0	-	-	-	-	800.0
Borrowing issue costs	-15.4	-	1.4	-	-	-14.0
Reserve based lending facility	149.6	-	-	0.4	-	150.0
Total	934.2	-	1.4	0.4	-	936.0

During the first quarter, DNO ASA has acquired USD 15.7 million of DNO03 bonds at a price range of 101.3 to 102.1 percent of par plus accrued interest. Facility and carrying amount for the bonds is shown net of bonds held by the Company.

The Group has available a revolving exploration financing facility (EFF) in an aggregate amount of NOK 250 million with an uncommitted accordion option of NOK 750 million. The interest rate equals NIBOR plus a margin of 1.70 percent. Utilizations can be made until 31 December 2022.

The Group has a reserve-based lending (RBL) facility for its Norway and UK production licenses with a total facility limit of USD 350 million which is available for both debt and issuance of letters of credit. In addition, there is an uncommitted accordion option of USD 350 million. Interest charged on utilizations is based on LIBOR plus a margin ranging from 2.75 to 3.25 percent. The facility will amortize over the loan life with a final maturity date of 7 November 2026. The borrowing base amount of the facility from 1 January 2022 is USD 106 million. Amount utilized as of the reporting date is disclosed in the table above. In addition, USD 72.0 million is utilized in respect of letters of credit.

For additional information about the Group's interest-bearing liabilities, refer to the DNO ASA Annual Report and Accounts 2021. See also Note 13 regarding subsequent events after the reporting date.

Note 11 | Provisions for other liabilities and charges/ Lease liabilities

USD million	At 31 Mar		At 31 Dec
	2022	2021	2021
Non-current			
Asset retirement obligations (ARO)	385.1	427.5	386.3
Other long-term provisions and charges	4.1	3.3	3.6
Lease liabilities	8.7	13.3	12.5
Total non-current provisions for other liabilities and charges	398.0	444.1	402.4
Current			
Asset retirement obligations (ARO)	60.8	89.7	69.7
Other provisions and charges	32.7	28.0	34.8
Current lease liabilities	15.7	3.8	15.7
Total current provisions for other liabilities and charges	109.1	121.5	120.1
Total provisions for other liabilities and charges	507.1	565.6	522.6

Asset retirement obligations

The provisions for ARO are based on the present value of estimated future cost of decommissioning oil and gas assets in Kurdistan and the North Sea. The discount rates before tax applied were between 3.2 percent and 3.7 percent.

Non-cancellable lease commitments

The recognized lease liabilities in the balance sheet are mainly related to rig lease and office rent. In the second quarter of 2021, DNO entered into a rig lease agreement to perform decommissioning, plugging and abandonment at the Schooner and Ketch fields in the UK part of the North Sea. The rig lease was entered into with DNO as the operator of the licenses at the initial signing and subsequently partly allocated to the license partners (presented under non-current and current receivables). The rig lease was recognized on a gross basis, rather than based on DNO's working interest share (60 percent).

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. Non-lease components are not included as part of the lease liabilities.

Undiscounted lease liabilities and maturity of cash outflows (non-cancellable):

USD million	At 31 Mar		At 31 Dec
	2022	2021	2021
Within one year	16.7	4.6	16.6
Two to five years	9.3	13.3	13.1
After five years	-	0.8	-
Total undiscounted lease liabilities end of the period	26.0	18.8	29.7

The table above summarizes the Group's maturity profile of the lease liabilities based on contractual undiscounted payments.

Note 12 | Trade and other payables

USD million	At 31 Mar		At 31 Dec
	2022	2021	2021
Trade payables	58.7	54.4	85.7
Public duties payable	4.1	2.1	6.1
Prepayments from customers	10.4	11.8	-
Overlift	8.4	2.2	17.3
Other accrued expenses	138.0	119.5	123.4
Total trade and other payables	219.6	190.1	232.6

Trade payables are non-interest bearing and normally settled within 30 days.

Trade payables and other accrued expenses include items of working capital related to participation in oil and gas licenses in Kurdistan and the North Sea, and prepayment from customers in the North Sea.

The overlift payable of relates to North Sea overlifted volumes, valued at production cost including depreciation

Note 13 | Subsequent events after the reporting date

Payments from Kurdistan

Since end-Q1 2022, DNO received total USD 94.1 million from the KRG (net to DNO), of which USD 52.7 million represents DNO's entitlement share of January 2022 crude oil deliveries to the export market from the Tawke license in Kurdistan. Of the total balance, USD 12.6 million are override payments equivalent to three percent of gross December 2021 and January 2022 Tawke license revenues under the August 2017 receivables settlement agreement and USD 28.8 million are payments towards the Company's arrears relating to withheld payment of Tawke license 2019 and 2020 entitlement and override invoices.

Discovery in the Norwegian Sea

On 11 April 2022, the Company confirmed an oil and gas discovery on the Kveikje prospect in the Norwegian North Sea license PL293B in which the DNO holds a 29 percent interest. Preliminary estimates of gross recoverable resources are in the range of 25-50 million barrels of oil equivalent, well above pre-drill estimates.

Partial redemption of bond loan

On 11 May 2022, the Company announced a USD 200 million partial redemption of the DNO03 bond. In addition, USD 23.8 million of the bond previously acquired by the Company will be cancelled.

Alternative performance measures

DNO discloses alternative performance measures (APMs) as a supplement to the Group's financial statements prepared based on issued guidelines from the European Securities and Markets Authority (ESMA). The Company believes that the APMs provide useful supplemental information to management, investors, securities analysts and other stakeholders and are meant to provide an enhanced insight into the financial development of DNO's business operations, financing and future prospects and to improve comparability between periods. Reconciliations of relevant APMs, definitions and explanations of the APMs are provided below.

EBITDA

USD million	Quarters		Full-Year
	Q1 2022	Q1 2021	2021
Revenues	339.4	169.8	1,004.1
Lifting costs	-50.8	-43.9	-184.2
Tariff and transportation	-6.6	-8.5	-34.5
Movement in overlift/underlift	13.9	19.6	-18.3
Exploration expenses	-5.8	-10.5	-132.3
Administrative expenses	-2.6	-5.5	-16.2
Other operating income/expenses	0.2	-1.7	-11.5
EBITDA	287.7	119.3	606.9
EBITDAX			
USD million	Q1 2022	Q1 2021	2021
EBITDA	287.7	119.3	606.9
Exploration expenses	5.8	10.5	132.3
EBITDAX	293.6	129.8	739.3
Netback			
USD million	Q1 2022	Q1 2021	2021
EBITDA	287.7	119.3	606.9
Tax refund received/-taxes paid	-12.3	15.2	174.7
Netback	275.4	134.5	781.6
	Q1 2022	Q1 2021	2021
Netback (USD million)	275.4	134.5	781.6
Net production (MMboe)	8.3	8.9	34.5
Netback (USD/boe)	33.1	15.1	22.7
Lifting costs			
	Q1 2022	Q1 2021	2021
Lifting costs (USD million)	-50.8	-43.9	-184.2
Net production (MMboe)	8.3	8.9	34.5
Lifting costs (USD/boe)	6.1	4.9	5.3

Alternative performance measures (continued)

Capital expenditures

USD million	Quarters		Full-Year
	Q1 2022	Q1 2021	2021
Purchases of intangible assets	-14.5	-7.5	-86.8
Purchases of tangible assets*	-67.1	-43.3	-193.8
Capital expenditures	-81.6	-50.8	-280.6

* Exclude estimate changes on asset retirement obligations.

Operational spend

USD million	Q1 2022	Q1 2021	2021
Lifting costs	-50.8	-43.9	-184.2
Tariff and transportation expenses	-6.6	-8.5	-34.5
Exploration expenses	-5.8	-10.5	-132.3
Exploration cost previously capitalized carried to cost (Note 5)	-0.9	-	54.1
Purchases of intangible assets	-14.5	-7.5	-86.8
Purchases of tangible assets*	-67.1	-43.3	-193.8
Payments for decommissioning	-13.7	-12.0	-86.2
Operational spend	-159.4	-125.7	-663.8

* Exclude estimate changes on asset retirement obligations.

Free cash flow

USD million	Q1 2022	Q1 2021	2021
Net cash from/-used in operating activities	246.9	63.7	728.8
Capital expenditures	-81.6	-50.8	-280.6
Payments for decommissioning	-13.7	-12.0	-86.2
Free cash flow	151.6	0.9	362.0

Equity ratio

USD	2022	2021	2021
Equity	1,149.2	905.7	1,018.8
Total assets	3,092.7	2,802.1	2,947.8
Equity ratio	37.2%	32.3%	34.6%

Net debt

USD million	2022	2021	2021
Cash and cash equivalents (including restricted cash)	847.7	477.1	736.6
Bond loans and reserve based lending (Note 10)	874.2	950.0	889.9
Net cash/-debt	-26.6	-472.9	-153.4

Exploration financing facility has been excluded as it is covered by the exploration tax refund booked as an asset in the statement of financial position.

Alternative performance measures (continued)

Definitions and explanations of APMs

ESMA issued guidelines on APMs that came into effect on 3 July 2016. The Company has defined and explained the purpose of the following APMs:

EBITDA (Earnings before interest, tax, depreciation and amortization)

EBITDA, as reconciled above, can be found by excluding the DD&A and impairment of oil and gas assets from the profit/-loss from operating activities. Management believes that this measure provides useful information regarding the Group's ability to fund its capital investments and provides a helpful measure for comparing its operating performance with those of other companies.

EBITDAX (Earnings before interest, tax, depreciation, amortization and exploration expenses)

EBITDAX, as reconciled above, can be found by excluding the exploration expenses from the EBITDA. Management believes that this measure provides useful information regarding the Group's profitability and ability to fund its exploration activities and provides a helpful measure for comparing its performance with those of other companies.

Netback

Netback, as reconciled above, comprises EBITDA adjusted for taxes received/-paid. Management believes that this measure is useful because it provides an indication of the profitability of the Group's operating activities after taxes received/-paid without regard to significant events and/or decisions in the period that are expected to occur less frequently. This measure is also helpful for comparing the Group's operational performance between time periods and with those of other companies.

Netback (USD/boe)

Netback (USD/boe) is calculated by dividing netback in USD by the net production for the relevant period. Management believes that this measure is useful because it provides an indication of the profitability of the Group's operating activities after taxes received/-paid without regard to significant events and/or decisions in the period that are expected to occur less frequently, per net boe produced. This measure is also helpful for comparing the Group's operational performance between time periods and with that of other companies.

Lifting costs (USD/boe)

Lifting costs comprise of expenses related to the production of oil and gas, including operation and maintenance of installations, well intervention activities and insurances. DNO's lifting costs per boe are calculated by dividing DNO's share of lifting costs across producing assets by net production for the relevant period. Management believes that the lifting cost per boe is a useful measure because it provides an indication of the Group's level of operational cost effectiveness between time periods and with those of other companies.

Capital expenditures

Capital expenditures comprise the purchase of intangible and tangible assets irrespective of whether paid in the period. Management believes that this measure is useful because it provides an overview of capital investments used in the relevant period.

Operational spend

Operational spend is comprised of lifting costs, tariff and transportation expenses, exploration expenses, capital expenditures and payments for decommissioning. Management believes that this measure is useful because it provides a complete overview of the Group's total operational costs, capital investments and payments for decommissioning used in the relevant period.

Equity ratio

The equity ratio is calculated by dividing total equity by the total assets. Management uses the equity ratio to monitor its capital and financial covenants (see Note 9 in the consolidated accounts). The equity ratio also provides an indication of how much of the Group's assets are funded by equity.

Free cash flow

Free cash flow comprises net cash from/-used in operating activities less capital expenditures and payments for decommissioning. Management believes that this measure is useful because it provides an indication of the profitability of the Group's operating activities excluding the non-cash items of the income statement and includes operational spend. This measure also provides a helpful measure for comparing with that of other companies.

Net debt

Net debt comprises cash and cash equivalents less bond loans and reserve based lending facility. Management believes that net debt is a useful measure because it provides indication of the minimum necessary debt financing (if the figure is negative) to which the Group is subject at the reporting date.

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