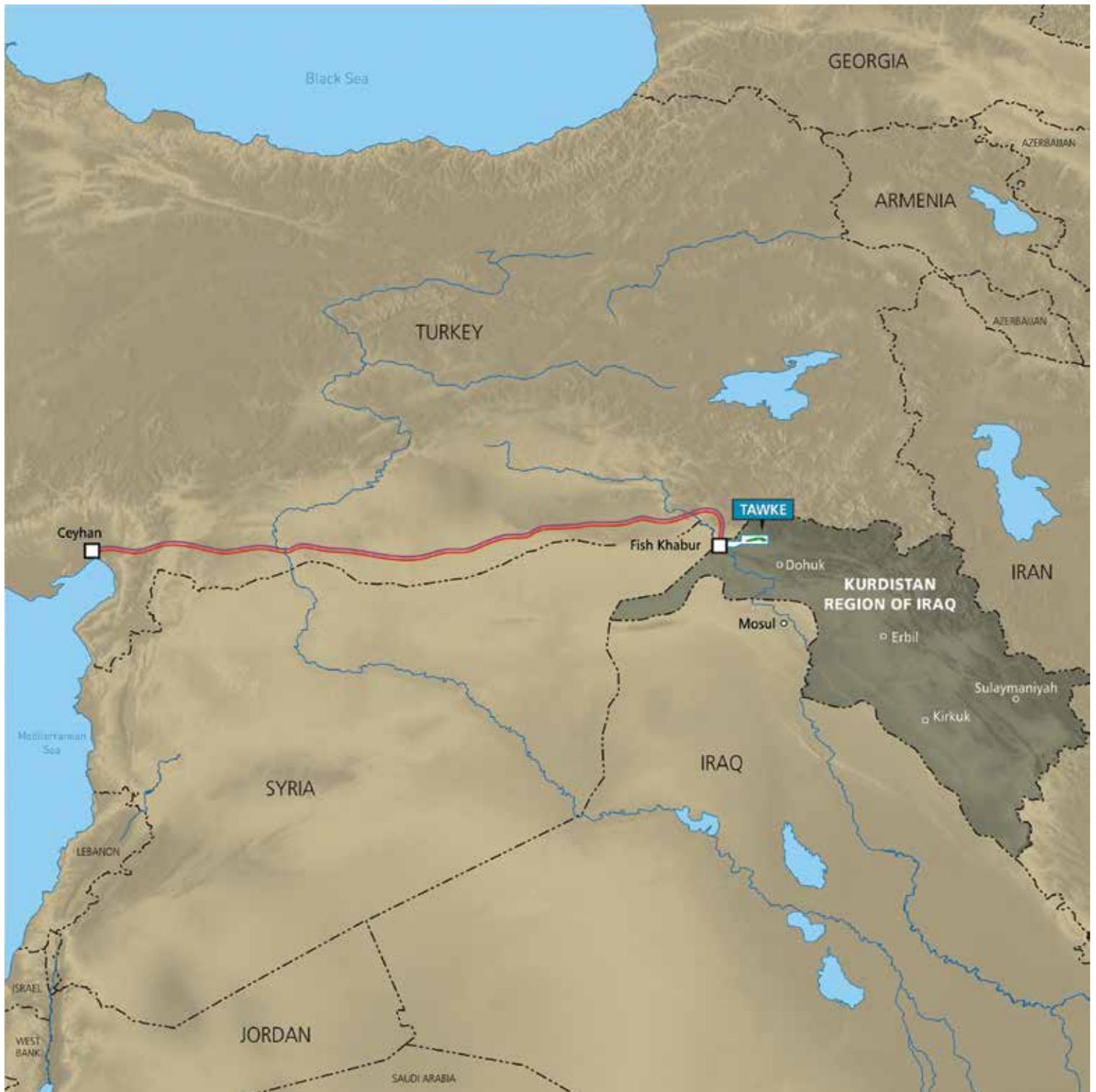




Interim Report

Fourth Quarter 2015



Key figures

USD million	Quarterly Results		Full year	
	Q4 2015	Q4 2014	2015	2014
Key financials				
Revenue	54.5	80.1	187.4	452.0
Gross profit	27.9	-1.6	-9.5	135.5
Profit/loss from operating activities	-81.3	-286.8	-174.0	-243.2
Net profit/loss	-83.3	-252.5	-212.3	-226.1
EBITDA	22.9	15.9	29.4	254.1
Netback	25.2	0.8	22.2	203.6
Acquisition and development costs	0.8	62.5	50.7	297.3
Exploration costs expensed	4.1	27.5	23.5	50.6
Key performance indicators ¹⁾				
Lifting costs (USD/boe)	0.3	4.9	2.7	4.8
Netback (USD/boe)	3.2	0.1	0.7	8.2

¹⁾ Key performance indicators include exports from the Tawke field.

Corporate overview

- DNO's foot comes off the brake and presses on the accelerator
- Even as the global oil and gas industry continues to retrench
- Five consecutive monthly payments for Tawke exports and new payment arrangement by Kurdistan Regional Government in line with contractual entitlements lay foundation for higher planned spending at this flagship field
- Expect Tawke production to climb from 120,000 barrels of oil per day (bopd) to 135,000 bopd by mid-year, with further increases to follow as additional investments made
- DNO already well ahead of the pack in Kurdistan in terms of production and exports, currently contributing nearly 60 percent of export volumes by the international oil companies
- Tawke production in 2015 totaled 50 million barrels
- Budgeted 2016 for Brent price of USD 35 per barrel
- Initiating capital projects totaling USD 100 million in 2016
- Industry cost deflation will allow us to do more with less
- Scale and attractive economics of DNO's oil reserves unrivaled among peer group
- DNO among first to cut capital and operating expenditures commencing fall 2014 and continuing through 2015
- Equity and debt raises in 2015 strengthened balance sheet
- Importantly, we retain flexibility to balance capital spending with cash flow

2015 operational highlights

- Record operated production in 2015 of 144,200 barrels of oil equivalent per day (boepd), up 23 percent from 2014
- Tawke output in 2015 averaged 135,200 bopd, of which 114,100 bopd delivered for pipeline export through Turkey
- Another 16,700 bopd sold into Kurdistan local market and balance processed in Tawke refinery
- Oman production averaged 8,200 boepd
- Yemen operations suspended in early 2015 due to security situation

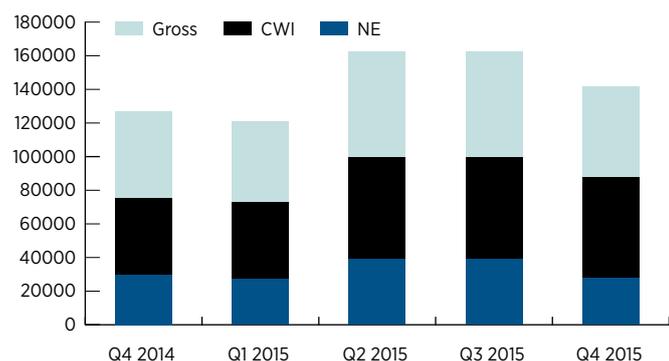
2015 financial highlights

- Revenues of USD 187 million in 2015 (down 59 percent from 2014) of which Kurdistan share was USD 157 million
- DNO Kurdistan revenues included USD 92 million from local sales of crude oil and refined products and USD 66 million from oil exports
- Capex spending reduced to USD 51 million from USD 297 million in 2014 as DNO hit the brakes in the face of lower world oil prices and lower payments in Kurdistan
- 2015 operating loss of USD 174 million (operating loss of USD 243 million in 2014) from lower revenues, restructuring and impairment charges
- Ended the year with cash balance of USD 238 million, up from USD 114 million in 2014

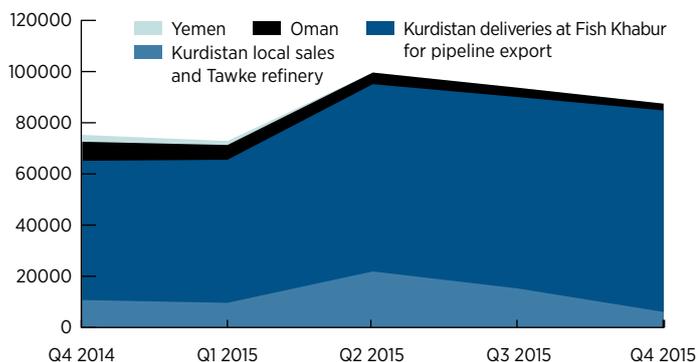
Operational review

Production

Quarterly production



Quarterly CWI production



Company working interest production (CWI) during the fourth quarter averaged 87,463 boepd, compared to 93,676 boepd during the third quarter of 2015. However, production was up from the corresponding period last year, when CWI production stood at 75,259 boepd, due to increased production from the Tawke field in the Kurdistan region of Iraq.

In Kurdistan, CWI production totaled 84,801 boepd during the fourth quarter, down from 90,014 boepd during the third quarter. In Oman, CWI production totaled 2,662 boepd during the fourth quarter, down from 3,662 boepd during the third quarter.

Net entitlement production totaled 27,542 boepd during the fourth quarter compared to 28,599 boepd in the previous quarter.

Gross production

boepd	Quarterly		Full year	
	Q4 2015	Q4 2014	2015	2014
Kurdistan	136,774	105,349	135,416	95,011
Oman	4,922	14,913	8,193	15,678
Yemen	-	6,600	621	6,793
Total	141,696	126,862	144,230	117,482

The table above reflects gross production from the company's fields. Kurdistan figures include both local sales and exported volumes.

Company working interest (CWI) production

boepd	Quarterly		Full year	
	Q4 2015	Q4 2014	2015	2014
Kurdistan	84,801	65,119	83,928	58,414
Oman	2,662	7,457	4,139	7,839
Yemen	-	2,684	304	2,705
Total	87,463	75,259	88,371	68,958

The table above reflects the company's total working interest production including diesel. Kurdistan figures include both local sales and exported volumes.

Net entitlement production

boepd	Quarterly		Full year	
	Q4 2015	Q4 2014	2015	2014
Kurdistan	26,091	23,857	28,147	23,746
Oman	1,451	3,924	2,190	4,160
Yemen	-	1,958	228	1,876
Total	27,542	29,739	30,566	29,782

The table above reflects the company's net entitlement production including diesel. Net entitlement from past exports from Tawke has been estimated based on the PSC, but the company has not received payments for the full entitlement production.

Activity overview

Appraisal and field development

Kurdistan region of Iraq

Tawke license

Gross production from the Tawke field averaged 135,173 bopd in 2015, up 48 percent from 2014 output of 91,255 bopd. In 2015, an average of 114,078 bopd was delivered for pipeline export through Turkey, with an additional 16,735 bopd sold into the Kurdistan local market and the balance processed in the Tawke refinery.

New investments are currently planned at Tawke to reverse output decline with new production wells and water handling facilities. Tawke production is expected to climb from 120,000 bopd to 135,000 bopd by mid-year, with further increases to follow as additional investments are made. The company also plans to drill the Peshkibir-2 well to appraise the previous Jurassic discovery and explore the Cretaceous zone. If successful, the Peshkibir field can be quickly tied back to existing infrastructure at Fish Khabor only 10 kilometers away.

Erbil license

Testing has shown higher volumes of oil-in-place for the Benenan heavy oil field, currently estimated to hold more than two billion barrels. An appraisal of commercialization is ongoing.

Oman

Offshore at Block 8, the Bukha and West Bukha fields produced an average of 8,193 boepd in 2015, of which output was roughly split equally between oil and gas. An additional well remains under consideration to increase West Bukha oil and gas output.

United Arab Emirates

Saleh field continues to produce small volumes of gas and liquids on an intermittent basis.

Yemen

Production from Block 32 and Block 43 remains suspended due to the continuing deterioration in security conditions.

Exploration

Oman

The company plans to spud the Hayah-1 exploration well at the onshore Block 36 by the end of February 2016. The acreage is located in the prolific Rub al-Khali basin – in the southwestern part of Oman bordering Saudi Arabia and Yemen – covering a surface area of more than 18,000 square kilometers.

Tunisia

The company's exploration and appraisal program is continuing in Tunisia, with 3D seismic activity planned for 2016 at the Sfax Offshore Exploration Permit in preparation for drilling a well in 2017.

United Arab Emirates

The company continues work on reprocessing existing seismic data and an associated basin study on the RAK Onshore license.

Somaliland

At Block SL 18 onshore Somaliland, a field geological survey and an environmental impact assessment have been conducted. A gravity-magnetic survey was successfully completed at the block in December 2015. The government is in the process of creating an oil security force to support seismic acquisitions.

Financial review

Revenues, profits and cash flow

Revenues in the fourth quarter increased to USD 54.5 million compared to USD 52.1 million in the previous quarter.

Total revenues from Kurdistan, including from local sales of crude oil and refined products, as well as export sales, contributed revenues of USD 51.1 million in the fourth quarter. Revenue from production at offshore Block 8 in Oman amounted to USD 3.5 million in the fourth quarter, while there was no revenue from Yemen due a lack of production since early 2015. DNO reported an operating loss of USD 81.3 million during the fourth quarter.

The company ended the quarter with USD 237.6 million in cash and USD 13.5 million in marketable securities.

Cost of goods sold

In the fourth quarter, the cost of goods sold was USD 26.7 million compared to USD 42.8 million in the previous quarter.

Lifting costs

Lifting costs were down to USD 2.2 million in the fourth quarter from USD 15.9 million in the previous quarter. Lower lifting costs in Q4 are mostly due to reclassification of lifting costs in Yemen. Lifting costs for the full-year 2015 averaged USD 2.7 per boe, down from USD 4.8 per boe in 2014. In Kurdistan, average lifting costs in 2015, including export volumes, averaged USD 2.3 per boe, down from USD 3.1 per boe in 2014. Total and unit lifting costs per country are presented in the accompanying table.

Lifting costs

USD million	Quarterly		Full year	
	Q4 2015	Q4 2014	2015	2014
Kurdistan	12.5	25.8	69.5	66.5
Oman	2.5	0.5	13.9	14.2
Yemen	-13.0	7.3	2.6	37.2
Total	2.2	33.6	86.3	117.9

Including export volumes

USD/boe	Quarterly		Full year	
	Q4 2015	Q4 2014	2015	2014
Kurdistan	1.6	4.4	2.3	3.1
Oman	14.3	0.7	11.3	5.5
Yemen	-	33.6	26.1	42.0
Average	0.3	5.0	2.7	4.8

Depreciation, depletion and amortization (DD&A)

DD&A amounted to USD 24.6 million in the fourth quarter compared to USD 25.6 million in the previous quarter.

DD&A

USD million	Quarterly		Full year	
	Q4 2015	Q4 2014	2015	2014
Kurdistan	22.0	28.2	93.2	112.7
Oman	2.5	14.8	13.5	67.3
Yemen	-	4.2	0.3	16.6
Total	24.6	47.2	107.0	196.5

Including export volumes

USD/boe	Quarterly		Full year	
	Q4 2015	Q4 2014	2015	2014
Kurdistan	9.2	13.0	9.1	13.9
Oman	18.9	40.9	16.9	44.3
Yemen	-	26.7	3.6	27.2
Average	9.8	17.9	9.6	18.2

Exploration costs expensed

Expensed exploration costs of USD 4.1 million in the fourth quarter were mainly related to activities in Tunisia.

Exploration costs expensed

USD million	Quarterly		Full year	
	Q4 2015	Q4 2014	2015	2014
Kurdistan	-	-	-	0.2
Oman	1.6	8.1	5.9	14.6
Yemen	-	6.1	5.4	6.4
UAE	0.3	0.3	1.0	0.7
Tunisia	2.0	13.0	10.7	28.0
Other	0.2	0.1	0.5	0.6
Total	4.1	27.5	23.5	50.6

Acquisition and development costs

(including intangible assets)

Capital expenditures for the full-year totaled USD 50.7 million compared to USD 297.3 million in 2014.

Acquisition and development costs

USD million	Quarterly		Full year	
	Q4 2015	Q4 2014	2015	2014
Kurdistan	0.4	54.4	46.5	254.6
Oman	0.1	3.7	0.4	18.6
Yemen	-	1.0	0.5	7.8
UAE	-0.2	-	-	-0.3
Tunisia	-	-1.9	0.1	7.0
Other	0.6	5.3	3.1	9.6
Total	0.8	62.5	50.7	297.3

Consolidated statements of comprehensive income

USD million	Note	Quarter		Full year	
		Q4 2015	Q4 2014	2015	2014
Revenue	2, 3	54.5	80.1	187.4	452.0
Cost of goods sold	4	-26.7	-81.6	-197.0	-316.5
Gross profit		27.9	-1.6	-9.5	135.5
Other operating income		1.2	0.1	2.0	2.6
Tariffs and transportation		-1.0	-1.2	-1.8	-4.2
Administrative expense		-6.2	-2.5	-19.0	-22.4
Other operating expenses		-19.5	-1.9	-29.3	-7.8
Impairment oil and gas assets	7	-79.7	-252.2	-92.9	-296.7
Exploration costs expensed	5	-4.1	-27.5	-23.5	-50.6
Net gain/loss from sale of PP&E	7	-	-	-	0.4
Profit/-loss from operating activities		-81.3	-286.8	-174.0	-243.2
Financial income		0.7	20.2	15.8	21.5
Financial expenses		-28.5	-17.8	-78.3	-30.1
Profit/-loss before income tax		-109.1	-284.4	-236.5	-251.8
Income tax expense	6	25.8	31.9	24.1	25.8
Net profit/-loss		-83.3	-252.5	-212.3	-226.1
Other comprehensive income					
Currency translation differences		-0.1	0.2	0.3	0.4
Fair value changes available-for-sale financial assets		-	-6.6	-	-
Other comprehensive income that may be reclassified to profit or loss in subsequent periods		-0.1	-6.4	0.3	0.4
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods		-	-	-	-
Total other comprehensive income, net of tax	6	-0.1	-6.4	0.3	0.4
Total comprehensive income, net of tax		-83.4	-258.9	-212.0	-225.7
Net profit/-loss attributable to:					
Equity holders of the parent		-83.3	-252.5	-212.3	-226.1
Total comprehensive income attributable to:					
Equity holders of the parent		-83.4	-258.9	-212.0	-225.7
Earnings per share, basic		-0.08	-0.25	-0.20	-0.23
Earnings per share, diluted		-0.08	-0.25	-0.20	-0.23

Condensed consolidated statements of financial position

ASSETS			
USD million	Note	Full year	
		2015	2014
Non-current assets			
Deferred income tax assets	6	-	3.3
Other intangible assets	7	133.2	150.5
Property, plant and equipment	7	396.6	528.9
Available-for-sale investments	8	10.8	35.0
Other non-current assets		-	4.8
Total non-current assets		540.6	722.5
Current assets			
Inventories	4	62.0	77.7
Trade and other receivables		168.0	187.3
Cash and cash equivalents		237.6	113.8
Total current assets		467.6	378.8
TOTAL ASSETS		1,008.2	1,101.3
EQUITY AND LIABILITIES			
USD million	Note	Full year	
		2015	2014
Equity			
Share capital		35.9	33.6
Other reserves		288.4	175.1
Retained earnings		111.8	324.1
Total equity		436.2	532.8
Non-current liabilities			
Interest-bearing liabilities	9	350.7	214.7
Deferred income tax liabilities	6	-	34.4
Provisions for other liabilities and charges	10	97.1	100.1
Total non-current liabilities		447.8	349.2
Current liabilities			
Trade and other payables		52.5	139.7
Income taxes payable	6	1.7	1.9
Provisions for other liabilities and charges	10	70.0	77.6
Total current liabilities		124.2	219.2
TOTAL EQUITY AND LIABILITIES		1,008.2	1,101.3

Condensed consolidated cash flow statements

USD million	Note	Quarter		Full year	
		Q4 2015	Q4 2014	2015	2014
Operating activities					
Profit/-loss before income tax		-109.1	-284.4	-236.5	-251.8
Adjustments to add (deduct) non-cash items:					
+/- Net interest expense (-income)		11.6	-3.9	28.4	12.6
Previously capitalized exploration and evaluation expenses	5	-	5.9	5.1	5.9
Depreciation of PP&E	4	24.5	48.0	110.5	198.5
Impairment loss/Reversal of impairment on PP&E	7	79.7	252.2	92.9	296.7
Gain/loss on PP&E	7	-	-	0.2	-0.4
Impairment/Reversal of impairment of financial assets		16.6	14.8	34.1	14.8
Other *		-17.2	-9.7	-18.0	-4.2
Changes in working capital:					
- Inventories		8.8	-6.6	13.8	-26.9
- Trade and other receivables		6.6	-34.7	14.3	-75.7
- Trade and other payables		-17.0	49.5	-87.2	83.1
- Provisions for other liabilities and charges		4.4	-2.1	7.1	-2.0
Cash generated from operations		8.8	29.0	-35.4	250.5
Income taxes paid		2.3	-15.1	-7.2	-50.5
Interest paid		-17.5	-4.1	-31.6	-18.6
Net cash from operating activities		-6.3	9.8	-74.1	181.4
Investing activities					
Purchases of intangible assets	7	-0.2	0.8	-0.1	-6.6
Proceeds from sale of intangible assets		-	-	-	0.3
Purchases of tangible assets	7	-0.6	-63.3	-50.6	-290.7
Proceeds from sale of tangible assets		-	0.3	-	0.9
Purchases of available-for-sale financial assets		-	-	-	-38.9
Proceeds from sale of available-for-sale financial assets		-	-	-	-
Interest received		0.2	0.1	1.1	0.4
Net cash used in/from investing activities		-0.6	-62.1	-49.5	-334.5
Financing activities					
Proceeds from borrowings	9	-	-	344.8	-
Repayment of borrowings		-	-	-211.4	-
Purchase of treasury shares, including options		-3.0	-	-3.0	-
Proceeds from sale of treasury shares		-	-	21.4	-
Proceeds from issuance of shares		-	-	96.9	-
Net cash used in/from financing activities		-3.0	-	248.8	-
Net increase/-decrease in cash and cash equivalents		-9.9	-52.3	124.9	-153.1
Cash and cash equivalents at beginning of the period		247.3	165.7	113.8	265.9
Exchange gain/-losses on cash and cash equivalents		0.2	0.5	-1.1	1.0
Cash and cash equivalents at end of the period		237.6	113.8	237.6	113.8

* Included in category "Other" under "Operating activities" are foreign currency effects related to interest-bearing loans and equity, acquisition/disposals of PP&E with non-cash effect, change in accruals of long-term liabilities with non-cash effect and other non-cash items from investing and financing activities.

Condensed consolidated statement of changes in equity

USD million	Share capital	Other reserves	Retained earnings	Total equity
Balance at 1 January 2014	33.6	174.7	550.2	758.5
<i>Fair value gains. net of tax:</i>				
- available-for-sale financial assets	-	-	-	-
Currency translation differences	-	0.4	-	0.4
Other comprehensive income/-loss	-	0.4	-	0.4
Profit for the period	-	-	-226.1	-226.1
Total comprehensive income	-	0.4	-226.1	-225.7
Issue of share capital	-	-	-	-
Purchase of treasury shares	-	-	-	-
Sale of treasury shares	-	-	-	-
	-	-	-	-
Balance at 31 December 2014	33.6	175.1	324.1	532.8

USD million	Share capital	Other reserves	Retained earnings	Total equity
Balance at 1 January 2015	33.6	175.1	324.1	532.8
<i>Fair value gains. net of tax:</i>				
- available-for-sale financial assets	-	-	-	-
Currency translation differences	-	0.3	-	0.3
Other comprehensive income/-loss	-	0.3	-	0.3
Loss for the period	-	-	-212.3	-212.3
Total comprehensive income	-	0.3	-212.3	-212.0
Issue of share capital	1.9	95.0	-	96.9
Purchase of treasury shares	-0.1	-2.8	-	-3.0
Sale of treasury shares	0.6	20.8	-	21.4
	2.3	113.0	-	115.3
Balance at 31 December 2015	35.9	288.4	111.8	436.2

Notes to the interim condensed consolidated financial accounts

Note 1 | Basis of preparation and accounting policies

The condensed consolidated 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. The interim report has also been prepared in accordance with Oslo Stock Exchange regulations.

The interim condensed consolidated 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 group's annual financial statements as of 31 December 2014. The interim financial information for 2015 and 2014 is unaudited.

The condensed consolidated financial statements have been prepared on a historical cost basis, with the following exception:

* All financial assets and liabilities held for trading, all liabilities related to share-based payments and all financial assets that are classified as available-for-sale, are recognized at fair value.

A detailed description of the accounting policies applied is included in the DNO annual financial statements for 2014. The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the group's annual financial statements for the year ended 31 December 2014.

DNO changed the presentation currency for the consolidated accounts from NOK to USD with effect from 1 January 2014.

Note 2 | Segment information

DNO is reporting five operating segments; Kurdistan (KUR), Oman (OMAN), Yemen (YEM), Ras Al Khaimah (UAE) and Tunisia (TUN). The operating segments are the same as the reportable segments.

Three months ending 31 December 2015 USD million	Note	KUR	OMAN	YEM	UAE	TUN	Other	Total reporting segments	Unallocated/eliminated	GROUP
Income statement information										
Revenue	3	51.1	3.5	-	-	-	-	54.5	-	54.5
Inter-segment sales		-	-	-	-	-	-	-	-	-
Cost of goods sold	4	-34.6	-5.0	13.0	-0.3	-0.1	-	-27.0	0.3	-26.7
Gross profit		16.5	-1.6	13.0	-0.3	-0.1	-	27.6	0.3	27.9
Segment operating result		-15.9	-44.9	-2.2	-2.6	-17.9	-0.1	-83.6	-14.0	-97.6
Interest - net										-11.6
Gain/loss on sale of shares										-
Income tax expense		-	25.8	-	-	-	-	25.8	-	25.8
Net profit/loss										-83.3
Segment assets		694.3	105.5	1.9	98.5	66.4	1.0	967.6	40.6	1,008.2

Note 2 | Segment information continues

Three months ending 31 December 2014 USD million	Note	KUR	OMAN	YEM	UAE	TUN	Other	Total reporting segments	Unallocated/eliminated	GROUP
Income statement information										
Revenue	3	57.2	12.6	10.3	-	-	-	80.1	-	80.1
Inter-segment sales		0.6	2.3	0.1	0.1	-	-	3.1	-3.1	-
Cost of goods sold	4	-54.2	-15.3	-11.6	-0.2	-	-	-81.3	-0.4	-81.6
Gross profit		3.7	-0.3	1.2	-0.1	-	-	2.0	-3.5	-1.6
Segment operating result		-135.8	-67.1	-66.4	-1.3	-13.4	-0.3	-284.3	-3.3	-287.6
Interest - net										3.2
Gain/loss on sale of shares										-
Income tax expense		-	32.4	-0.5	-	-	-	31.9	-	31.9
Net profit/loss										-252.5
Segment assets		777.5	176.8	36.0	3.7	82.5	1.1	1,077.6	23.6	1,101.3

Twelve months ending 31 December 2015 USD million	Note	KUR	OMAN	YEM	UAE	TUN	Other	Total reporting segments	Unallocated/eliminated	GROUP
Income statement information										
Revenue	3	157.4	26.8	3.2	-	-	-	187.4	-	187.4
Inter-segment sales		-	-	-	-	-	-	-	-	-
Cost of goods sold	4	-163.2	-27.6	-2.9	-0.3	-0.2	-	-194.2	-2.8	-197.0
Gross profit		-5.7	-0.8	0.3	-0.3	-0.2	-	-6.7	-2.8	-9.5
Segment operating result		-48.4	-48.8	-41.9	-3.3	-26.8	-0.5	-169.7	-48.0	-217.8
Interest - net										-18.6
Gain/loss on sale of shares										-
Income tax expense		-	25.3	-1.2	-	-	-	24.1	-	24.1
Net profit/loss										-212.3
Segment assets		694.3	105.5	1.9	98.5	66.4	1.0	967.6	40.6	1,008.2

Twelve months ending 31 December 2014 USD million	Note	KUR	OMAN	YEM	UAE	TUN	Other	Total reporting segments	Unallocated/eliminated	GROUP
Income statement information										
Revenue	3	306.6	87.2	58.2	-	-	-	452.0	-	452.0
Inter-segment sales		2.7	8.1	1.2	0.4	0.4	0.4	13.1	-13.1	-
Cost of goods sold	4	-179.6	-81.6	-53.9	-0.2	-0.1	-0.1	-315.5	-1.1	-316.5
Gross profit		129.7	13.6	5.5	0.2	0.3	0.3	149.7	-14.2	135.5
Segment operating result		-16.5	-66.4	-67.1	-44.1	-28.3	-2.3	-224.6	-14.6	-239.2
Interest - net										-12.6
Gain/loss on sale of shares										-
Income tax expense		-	27.6	-1.8	-	-	-	25.8	-	25.8
Net profit/loss										-226.1
Segment assets		777.5	176.8	36.0	3.7	82.5	1.1	1,077.6	23.6	1,101.3

Note 3 | Revenue

DNO's operations governed by production sharing agreements/production sharing contracts (PSA/PSC) are reported according to the net entitlement method.

USD million	Quarter		Full year	
	Q4 2015	Q4 2014	2015	2014
Sale of petroleum products	54.5	80.1	187.4	452.0
Revenue	54.5	80.1	187.4	452.0

In 2015, the Kurdistan Regional Government made three payments totaling USD 90 million for exports from the Tawke field, of which USD 66 million was net to DNO and the remainder was shared pro-rata with its Tawke license partner. According to DNO's accounting policies on revenue recognition, these amounts were recorded as revenue in 2015.

There was a combination of export and local sales from Tawke in 2015, but export revenues are not recognized until receipt of payment. Not all of DNO's contractual share of gross export deliveries from Tawke of 11.7 million barrels in Q4 is reflected in revenues.

Note 4 | Cost of goods sold/inventory

USD million	Quarter		Full year	
	Q4 2015	Q4 2014	2015	2014
Lifting costs*	-2.2	-33.6	-86.3	-117.9
Depreciation, depletion and amortization	-24.5	-48.0	-110.7	-198.6
Total cost of goods sold	-26.7	-81.6	-197.0	-316.5

*Lifting costs consist of expenses relating to the production of oil and gas, including operation and maintenance of installations, well intervention and workover activities, insurance and costs in own organization.

USD million	Full year	
	2015	2014
Spare parts	55.2	65.5
Other inventory	6.8	12.2
Total inventory	62.0	77.7

Spare parts relate mainly to the Tawke field in Kurdistan. Other inventory relates to drilling and completion materials for offshore blocks in Oman and UAE.

Note 5 | Exploration costs

USD million	Quarter		Full year	
	Q4 2015	Q4 2014	2015	2014
Exploration expenses (G&G and field surveys)	-2.4	-4.2	-8.4	-12.9
Seismic costs	-	-5.0	-0.5	-14.8
Exploration costs capitalized in previous years carried to cost	-	-5.9	-5.1	-5.9
Exploration costs capitalized this year carried to cost	-0.2	-10.4	-3.8	-10.3
Other exploration costs expensed	-1.4	-2.0	-5.7	-6.7
Total exploration costs expensed *	-4.1	-27.5	-23.5	-50.6

* For details on geographic spread of exploration costs expensed, see the Financial review section.

Exploration costs capitalized this year carried to cost include adjustment of previous estimates and demobilization costs at the Sfax Offshore Exploration Permit in Tunisia.

Note 6 | Income taxes

USD million	Quarter		Full year	
	Q4 2015	Q4 2014	2015	2014
Deferred taxes	22.9	38.1	31.1	62.6
Income taxes payable related to Production Sharing Agreements (PSAs) in Yemen and Oman	2.9	-6.3	-7.0	-36.8
Total income tax expense	25.8	31.9	24.1	25.8

The interim period income tax expense relates to the Yemen and Oman operations and is calculated by applying the tax rate applicable to the expected total annual earnings.

According to the net entitlement method, income taxes payable related to PSAs consist of the corporate tax rate applicable under the agreements. No tax is applicable to the operations in Kurdistan as there is currently no established tax regime.

There are no tax consequences attached to items recorded in other comprehensive income.

Note 7 | Property, plant and equipment/intangible assets

USD million	Quarter		Full year	
	Q4 2015	Q4 2014	2015	2014
Acquisitions of PP&E *	0.6	63.3	50.6	290.6
Acquisitions of Intangible assets **	0.2	-0.8	0.1	6.6
Net book amount PP&E	396.6	528.9	396.6	528.9
Net book amount Intangible assets	133.2	150.5	133.2	150.5
<i>Sale of PP&E</i>				
Proceeds	-	0.3	-	1.2
Carrying value	-	0.3	-	0.8
Net gain/-loss	-	-	-	0.4
Impairment of PP&E	79.7	252.2	92.9	296.7

* acquisitions related to development assets, assets in operation and other PP&E

** acquisitions related to capitalized exploration costs and license interests

In Q4 2015, the impairment charge of USD 79.7 million was related to operations in Oman (USD 42.3 million), Kurdistan (USD 29.3 million), Tunisia (USD 6.0 million) and UAE (2.1 million).

The impairment charge of USD 296.7 million in 2014 was related to assets in Yemen, Oman and UAE.

Note 8 | Available-for-sale financial assets

Available-for-sale financial assets are revalued at fair value (market price, where available) at the end of each period, with changes charged to other comprehensive income. Impairment will be charged to profit or loss, while reversal of impairment will be accounted for in other comprehensive income.

USD million	Quarter		Full year	
	Q4 2015	Q4 2014	2015	2014
Beginning of the period	17.5	56.3	35.0	10.8
Additions	-	-	-	38.9
Sales	-	-	-	-
Revaluation surplus/deficit transfer to equity	-	-6.6	-	-
Impairment	-6.7	-14.8	-24.2	-14.8
Exchange differences	-	-	-	-
End of the period ¹⁾	10.8	35.0	10.8	35.0
Non-current portion	10.8	35.0	10.8	35.0
Current portion	-	-	-	-

¹⁾ Available-for-sale financial assets include the following:

USD million	Full year	
	2015	2014
Listed securities:		
- RAK Petroleum plc	10.8	35.0
Total available-for-sale financial assets	10.8	35.0

DNO has a total of 15,849,737 shares in RAK Petroleum plc. All shares were acquired in open market transactions. RAK Petroleum plc was listed on the Oslo Stock Exchange on 7 November 2014.

An impairment of USD 14.8 million was recorded on the shares in 2014 due to lower market value. An impairment of USD 24.2 million was recorded in 2015 due to further decline in market value.

Note 9 | Interest-bearing liabilities

USD million	Full year	
	2015	2014
Non-current		
Bonds	400.0	215.3
Capitalized borrowing issue costs	-49.3	-0.6
Total non-current interest-bearing liabilities	350.7	214.7
Current		
Current portion of bonds	-	-
Total current interest-bearing liabilities	-	-
Total interest-bearing liabilities	350.7	214.7

Interest-bearing liabilities:

USD million	Currency	Amount	Interest	Maturity	Balance	
					Q4 2015	Q3 2015
Non-current						
Bond loan (ISIN NO0010740392)	USD	400.0	8.75%	18.06.2020	400.0	400.0
Borrowing issue costs					-49.3	-52.1
Total interest-bearing liabilities					350.7	347.9

On 19 June 2015, DNO completed the placement of USD 400 million of new, 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. In connection with the issuance, DNO repurchased portions of the USD and NOK tranches of its previous bond. The company repurchased USD 15.4 million of the USD tranche with ticker DNO13 and ISIN NO0010606189, leaving USD 124.6 million outstanding. Additionally, DNO repurchased NOK 139 million of the NOK tranche with ticker DNO14 and ISIN NO0010606197, leaving NOK 421 million outstanding.

On 7 August 2015, DNO settled its call of all outstanding bonds including the USD tranche with ticker DNO13 and ISIN NO0010606189 and the NOK tranche with ticker DNO14 and ISIN NO0010606197. The bonds were redeemed at a price of 101.5 percent of par value as provided for under Clause 10.2.2 of the Bond Agreement. The settlement follows the company's exercise of its option to call outstanding bonds on 24 June 2015. Through exercise of the call option, USD 124.6 million in the USD tranche of the bonds and NOK 421 million in the NOK tranche were redeemed on 6 August 2015.

Note 10 | Provisions for other liabilities and charges

USD million	Full year	
	2015	2014
Non-current		
Asset retirement obligations	4.5	3.8
Other long-term obligations	92.6	96.3
Total non-current provisions for other liabilities and charges	97.1	100.1
Current		
Other provisions and charges	70.0	77.6
Total current provisions for other liabilities and charges	70.0	77.6
Total provisions for other liabilities and charges	167.1	177.7

Included in provision for other liabilities and charges is a provision for the Water Purification Project (WPP) in the Kurdistan Region of Iraq. The WPP was capitalized in 2009 and is depreciated over the period of production for the Tawke field. The WPP liability will not be payable until a payment mechanism for Tawke exports and the Tawke receivables is in place and proceeds from Tawke export sales are received on a regular basis.

The monthly installments are contingent on defined gross revenue levels and will be fully recovered through cost oil. The WPP liability is recorded at net present value, where the unwinding of interest is charged to profit or loss. Part of the WPP liability has been classified as short-term as of 31 December 2015 and included in other provisions and charges (current).

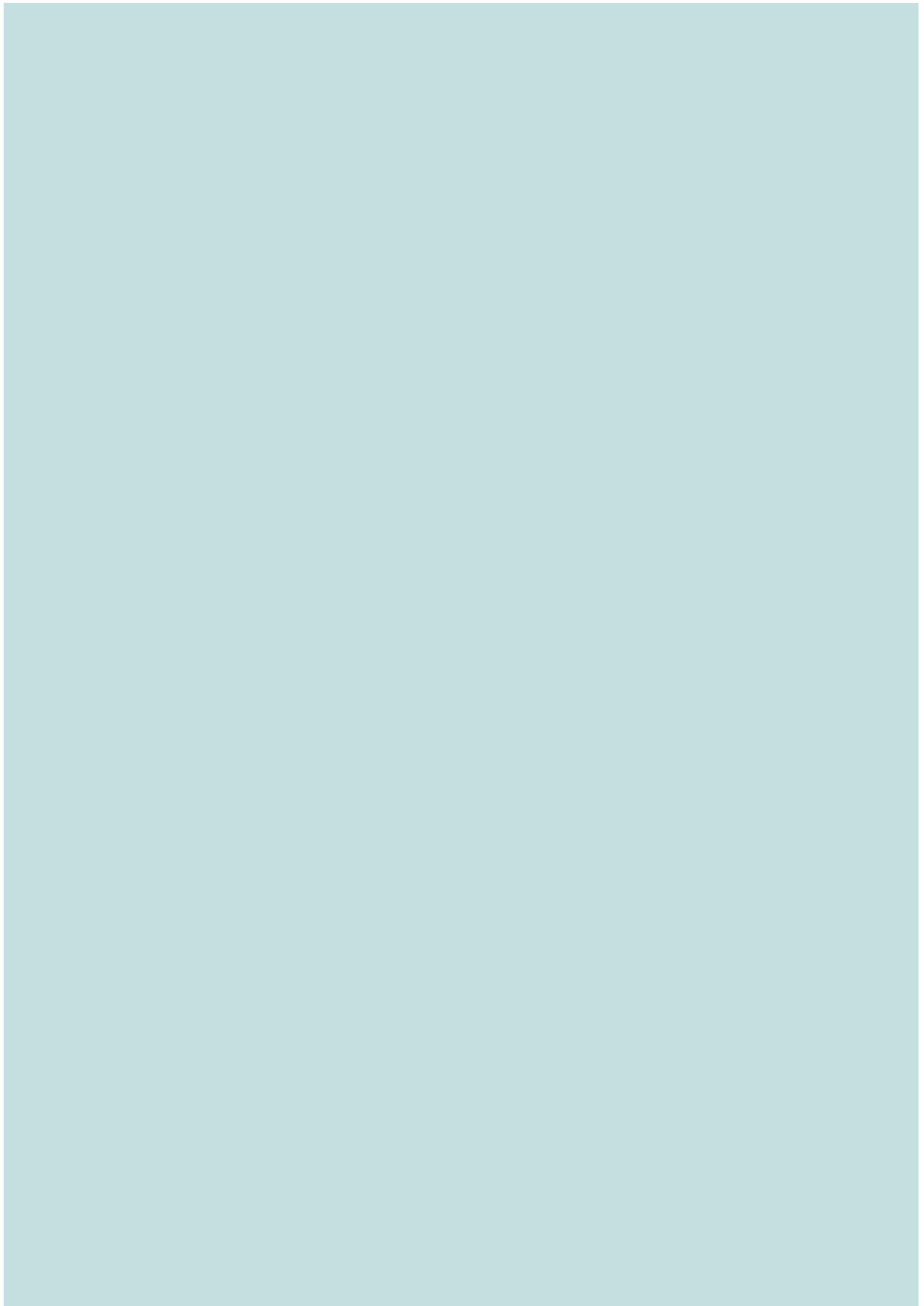
Provision for production bonuses for the Tawke and Erbil licenses in the Kurdistan region of Iraq is also included in provision for other liabilities and charges. Production bonuses relate to payments based on different production levels.

Note 11 | Events after the balance sheet date

Payments from Kurdistan

On 6 January 2016, DNO confirmed receipt of USD 30 million as partial payment towards oil exported from the Tawke field by the Kurdistan Regional Government. The payment is to be shared pro-rata with the Tawke license partner.

On 8 February 2016, another payment of USD 21.45 million was received from the Kurdistan Regional Government for exports from the Tawke field under a new payment arrangement announced on 1 February 2016. The payment, which also is to be shared pro-rata by DNO and its partner, includes USD 17.99 million toward the monthly entitlement for January exports and USD 3.46 million toward the recovery of outstanding entitlements for past deliveries.



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