DNO INTERNATIONAL ASA
INTERIM REPORT FIRST QUARTER 2011

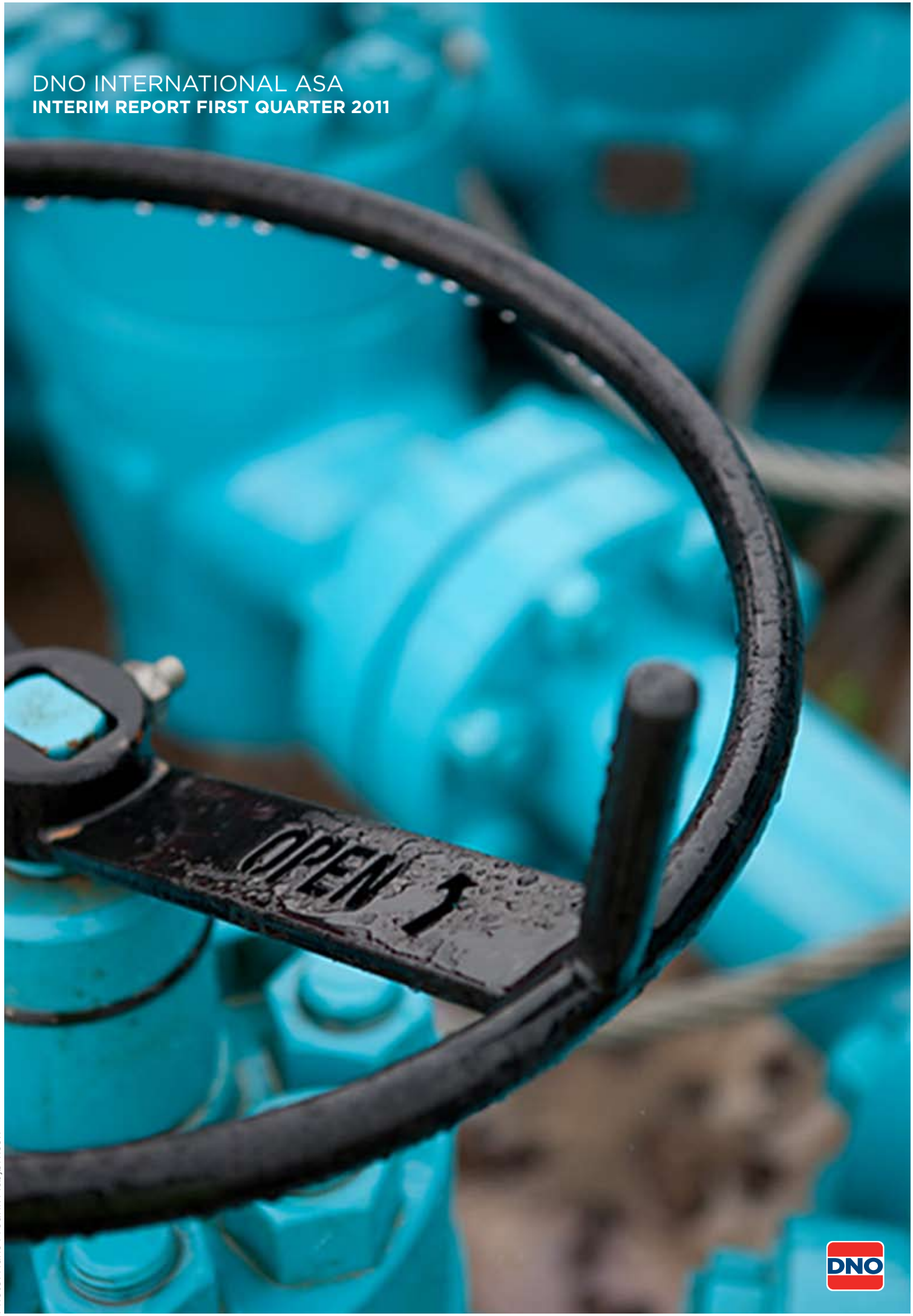


Photo: Hans Fredrik Asbjørnsen

Highlights

- Export of crude oil from the Tawke field in the Kurdistan region of Iraq restarted on 2 February, and the facilities have proved stable gross production above 65,000 bopd.
- No revenues related to the Tawke export have been recorded in the quarter. However, DNO has now received confirmation from the KRG that cash advances will be made by the KRG to companies exporting oil from the Kurdistan region of Iraq. An amount of USD 110 million will be released to DNO by the KRG as payment against some of the amounts due in respect of the Tawke PSC.
- Operating revenues for the first quarter were NOK 281 million, up from NOK 259 million in the first quarter of 2010. The quarterly operating profit was NOK 74 million, compared to NOK 95 million last year.
- EBITDA and netback remained at solid levels in the first quarter, with NOK 146 million (NOK 156 million) and NOK 117 million (NOK 139 million), respectively.
- The P50 remaining reserves as of 31 December 2010 have been increased by 30 percent to 194.2 million barrels.
- Exciting exploration ongoing in the Kurdistan region of Iraq with testing of horizontal section at Bastora-1, spudding of Summail-1 well and completion of Peshkabir well site.

Key figures

NOK million	Q1 2011	Q4 2010	Q3 2010	Q2 2010	Q1 2010
Key financials [1]					
Sales	281.2	302.0	406.6	284.7	258.6
Gross profit	141.0	157.3	221.4	129.0	125.3
Profit/loss from operating activities	74.2	86.8	-123.5	99.0	94.5
Net profit/loss	-65.4	-30.9	-145.7	-121.1	14.9
EBITDA	146.3	159.3	-12.3	171.2	155.6
Netback	117.0	139.9	-39.6	140.6	138.7
Acquisition and development cost	70.4	54.3	-8.8	36.5	69.5
Exploration cost expensed	49.2	25.3	3.1	11.1	16.6
Price and production					
Working interest production (mboe)	1.417	1.495	2.296	1.433	1.120
Working interest production per day (boe)	15,743	16,252	24,956	15,748	12,442
Net entitlement production (mboe)	0.946	0.975	1.487	0.896	0.740
Net entitlement production per day (boe)	10,514	10,602	16,161	9,849	8,225
Achieved sales price, (USD/bbl) net entitlement	53.21	53.54	44.99	51.88	61.55
Key performance indicators					
Lifting cost, (USD/bbl)	8.66	8.36	5.31	9.57	11.35
DD&A, (USD/bbl)	13.61	12.75	12.25	13.03	14.39
Netback (USD/bbl)	14.88	16.20	-2.84	16.14	21.82

[1] Sales and production figures does not include export from the Tawke field in Kurdistan during Q1 2011.

Operational review

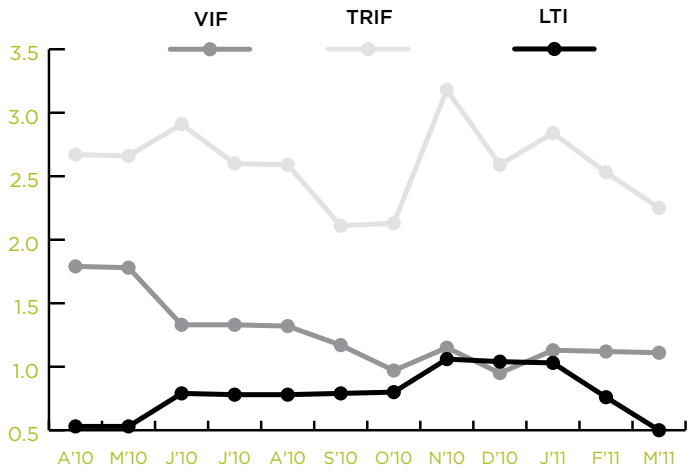
HSE

The HSE performance as of the first quarter 2011 is within our target KPIs. The incident frequencies in all incident categories have decreased from the fourth quarter mainly due to a reduction on exposure hours, reduced headcount and mileage. The security situation in Yemen has continued to deteriorate following the civil uprising. The unrest mainly affects Sana'a and other larger cities. Our field operations have been unaffected in the first quarter. Contingency planning and continuous monitoring and assessment of the situation are ongoing in order to manage risks and enable business continuity.

At 31 March, the status within HSE performance was as follows (incident frequency per one million manhours):

Vehicle incident frequency (VIF):	1.1
Total recordable incident frequency (TRIF):	2.3
Lost time incident frequency (LTI):	0.5

HSE Performance Trends (April 2010–March 2011)



PRODUCTION

Export of crude oil from the Tawke field in the Kurdistan region of Iraq was restarted on 2 February, but no revenues from export have been recorded in the quarter.

DNO's working interest (WI) production in the first quarter was 39,945 bopd. Excluding Tawke export, the WI production was 15,743 bopd compared with 12,442 bopd in the first quarter 2010. The net entitlement (NE) production was 10,514 bopd in the quarter, at an average realized oil price of USD 53.2/bbl, versus 8,225 bopd and USD 61.6 in the same quarter the previous year.

The WI production from the Tawke field in the Kurdistan region of Iraq was including export 34,064 bopd in the first quarter. Excluding export the WI production was 9,863 bopd and the NE production 6,575 bopd. The deliveries from Tawke include crude oil to the local market as well as to the Tawke refinery.

Since the export was restarted from the field the volumes sold to the local market have been cancelled. The export initially started at a rate of 10,000 bopd, but after 10 days the volumes reached a level of approximately 50,000 bopd. In the last part of March, production levels have been around 65,000 bopd. Including third party products, the facilities operated by DNO have tested more than 80,000 bopd. The exported oil is being recorded and reported to the KRG in compliance with agreed procedures, but has not been recognized as revenues in the financial accounts (refer to financial review).

The first quarter WI production from Yemen was 5,881 bopd and the NE production 3,939 bopd. There is an overall decline in production as expected, but production is maintained at a higher level than forecasted.

Production working interest

mboe	Q1 '11	Q4 '10	Q3 '10	Q2 '10	Q1 '10
Yemen	0.529	0.566	0.597	0.620	0.669
Kurdistan local prod	0.888	0.929	1.699	0.814	0.450
Kurdistan export	2.178	-	-	-	-
Total	**3.595**	**1.495**	**2.296**	**1.433**	**1.120**

bopd	Q1 '11	Q4 '10	Q3 '10	Q2 '10	Q1 '10
Yemen	5,881	6,156	6,494	6,808	7,437
Kurdistan local prod	9,863	10,095	18,462	8,940	5,005
Kurdistan export	24,201	-	-	-	-
Total	**39,945**	**16,252**	**24,956**	**15,748**	**12,442**

Production net entitlement

bopd	Q1 '11	Q4 '10	Q3 '10	Q2 '10	Q1 '10
Yemen	3,939	3,872	3,852	3,890	4,889
Kurdistan local prod	6,575	6,730	12,308	5,960	3,337
Total	**10,514**	**10,602**	**16,161**	**9,849**	**8,225**

The tables above reflects DNO's production including diesel. For information purposes, the Kurdistan region of Iraq export volumes in Q1 2011 are shown in the tables above, but excluded in all financial figures.

APPRAISAL AND FIELD DEVELOPMENT

In the Kurdistan region of Iraq, flowlines to connect the Tawke-3 and Tawke-12 wells to the CPF have been completed in the quarter. At the Fishkabour tie-in area, facilities have been installed to handle third party export (ie. oil export from other fields in Kurdistan).

Notice of commercial oil for the first phase of the development of the Yaalen field in Block 47 was submitted to the Ministry on 20 March. The local processing capacity in the first phase of the development is planned at 5,000 bopd with trucking to the facilities at the neighboring Nabrajah field in Block 43, and from there through the existing export pipeline. In phase 2, the capacity will be increased to 10,000 bopd with pipeline tie-in to Nabrajah. There are some delays in the approval process of the project influencing the start up of the bidding process for the field development. In Block 43, some delay is also expected related to the final installation of the gas engines to replace diesel engines.

EXPLORATION

In the Erbil PSC in the Kurdistan region of Iraq, the exploration well Bastora-1 well was spudded 7 September 2010 with the DQE Rig-9. The well was drilled as planned to a depth of 3,600 meters and oil shows were observed during drilling of several of the target zones. Several tests were performed in the well and the Company is now drilling a horizontal sidetrack, Bastora-1A, to perform more testing, and improve the production rates from the assumed best interval. This is the first horizontal well drilled in the Kurdistan region of Iraq. The information from the well will be important for further development plans for the Benenan and Bastora discoveries in this license.

The DQE Rig-10 will be used for drilling of the Summail-1 commitment well. The Summail prospect is a large structure in the Dohuk PSC where DNO has a 40% ownership share. The rig has been undergoing maintenance and repair at the well site before the spud on 19 April. The drilling operations are estimated to take around 70 days. Following drilling of this well, the current plan is to move the rig to the Tawke PSC area and drill the exploration well Peshkhabir-1. The well site is now being prepared.

In Block 47 in Yemen, the Alsaiq-1 exploration well was spudded on 17 March. The drilling is progressing according to plan and will be drilled 50 meter into the Basement formation. In Block 72 in Yemen, the drilling of Gabdain-2 commenced on 11 February. The well targeted a Qishn reservoir prospect penetrated down-dip at the Gabdain-1 location, but was found dry and has been expensed in the quarter.

In Mozambique, the Inhaminga High-1 exploration well commenced in February and was tested in a possible hydrocarbon bearing interval. However, no flow was achieved during the test. The well has been plugged and abandoned, and has been expensed as a dry well in the quarter. The commitment program in the Inhaminga block has now been completed.

As previously reported, DNO is at present negotiating new exploration acreage in Yemen (Block 48) and Mozambique (Lower Zambezi).

RESERVES UPDATE

During the first quarter, the Company has updated the estimates for reserves and resources, in accordance with Oslo Stock Exchange regulations. Total P50 reserves and resources as of 31 December 2010 are now estimated to 211.2 million barrels, compared to 172.8 million barrels the year before. The increase is due to an upward revision of the ultimate recoverable reserves in the Tawke field in the Kurdistan region of Iraq.

The reported reserves in the Tawke field are estimated by third party expert BeicipFranlab (BF) at 31 December 2010 to be 183.4 million barrels (WI to DNO), based on a gross ultimate recoverable reserves of 306 million barrels. Their models will now be updated with the most recent production data, and DNO will report a further update to the market when this work has been completed.

DNO's total remaining reserves as of 31 December 2010 with BF's figures for Tawke (corresponding to class 1-3 under the Norwegian Petroleum Directorate classification) are estimated to 194.2 million barrels compared to 149.4 million barrels the year before, as presented in the ASR report released to the market on 18 April 2011.

OTHER

During March, the Company completed a bond offering of approximately USD 240 million. The new bond issue has a five year tenor and carries a floating interest rate of LIBOR/NIBOR + 7.50%. The purpose of the bond issue is to refinance existing bond debt and for general corporate purposes.

In an extraordinary general meeting on 10 March, Mr. Bijan Mossavar-Rahmani was elected as board member, in a supplementary election.

Financial review

REVENUES, PROFITS AND CASHFLOW

In the first quarter, the total operating revenues were NOK 281 million compared to NOK 259 million in the same quarter of 2010. The increase from 2010 is due to increased local deliveries from the Tawke field in the Kurdistan region of Iraq and higher oil prices from our Yemen production.

The average prices were somewhat reduced from the first quarter 2010, due to a higher share of production from the Tawke field (local sales) which is sold to a discounted price. Higher depreciation and exploration charges led to a reduction in operating profit (NOK 74 million compared to NOK 95 million in the same quarter last year).

The net finance costs in the quarter were NOK 97 million and include calculated interest costs in relation to the Water Purification Project in the Kurdistan region of Iraq (NOK 49 million) in accordance with new estimates and IFRS accounting standards.

Net loss for the quarter was NOK 65 million, compared to a profit of NOK 14 million in the same quarter last year. The EBITDA and netback however, were only slightly lower than the previous year.

The cash position decreased to NOK 984 million at the end of the quarter, mainly due to repayment of loans of NOK 258 million.

Export revenues related to the Tawke export starting 2 February have not been recorded, but DNO has now been advised by the KRG that an amount of USD 110 million will be released as payment against some of the amounts due in respect of the Tawke PSC. The costs directly related to the exported volumes have been capitalized (NOK 99 million) in the balance sheet as inventory in line with the accounting principles applied in 2009.

Netback Variance Analysis (NOK million)	Variation
Netback first quarter 2010	**138.7**
Production	74.0
Oil price	-44.9
Exchange rates	-6.5
Operating expenses	-32.0
Taxes paid	-12.4
Netback first quarter 2011	**117.0**

Netback fourth quarter 2010	**139.9**
Production	-7.6
Oil price	-3.2
Exchange rates	-9.9
Operating expenses	7.8
Taxes paid	-10.0
Netback first quarter 2011	**117.0**

Netback is calculated as EBITDA adjusted for paid taxes.

COSTS OF GOODS SOLD

In the first quarter, the total cost of goods sold were NOK 140 million compared to NOK 133 million in the same period last year.

Lifting costs

Lifting costs were NOK 68 million in the first quarter, compared to NOK 72 million in the first quarter of 2010. The lifting costs per barrel were USD 8.7 per barrel, a reduction from USD 11.4 per barrel in the same period last year. In Yemen, the lifting cost per barrel is at USD 19 per barrel, somewhat higher than in 2010. Cost saving projects will serve to maintain reasonably low lifting costs – however, due to the security situation, we expect to see some temporary increase in costs related to our Yemen operations.

Lifting cost

NOK mill	Q1 '11	Q4 '10	Q3 '10	Q2 '10	Q1 '10
Yemen	56.0	48.3	54.5	63.0	51.2
Kurdistan	12.1	23.9	19.5	20.4	21.0
Total	**68.1**	**72.2**	**74.0**	**83.4**	**72.2**

USD/bbl	Q1 '11	Q4 '10	Q3 '10	Q2 '10	Q1 '10
Yemen	19.45	15.10	15.48	17.03	13.51
Kurdistan	2.43	4.39	1.87	4.06	8.17
Total	**8.66**	**8.36**	**5.31**	**9.57**	**11.35**

Depreciation, Depletion and Amortisation (DD&A)

Total DD&A costs were NOK 72 million in the first quarter compared to NOK 61 million the year before. New reserve estimates as of year-end 2010 have been used for recalculation of depreciation charges in the first quarter. There is a slight increase in Yemen (related to Block 43 and 53) and approximate the same level for the Kurdistan region of Iraq where the investment estimate has been revised in connection with the increased reserves in the Tawke field.

Depreciation, Depletion and Amortisation (DD&A)

NOK mill	Q1 '11	Q4 '10	Q3 '10	Q2 '10	Q1 '10
Yemen	35.4	30.9	32.4	32.7	40.8
Kurdistan	36.2	41.0	78.3	38.4	19.7
Total	**71.5**	**71.9**	**110.6**	**71.1**	**60.5**

USD/bbl	Q1 '11	Q4 '10	Q3 '10	Q2 '10	Q1 '10
Yemen	18.30	15.35	15.45	15.42	16.37
Kurdistan	10.88	11.31	11.28	11.50	11.51
Total	**13.61**	**12.75**	**12.25**	**13.03**	**14.39**

EXPLORATION AND CAPITAL EXPENDITURE

Exploration cost expensed

Expensed exploration costs in the first quarter were NOK 49 million compared with NOK 17 million in the same period 2010. Costs related to the dry well Inhaminga High-1 in Mozambique contributed with NOK 27 million and dry well costs for Gabdain-2 in Block 72 in Yemen with NOK 2 million. Remaining costs are general exploration activities in all business segments.

Exploration cost expensed

NOK mill	Q1 '11	Q4 '10	Q3 '10	Q2 '10	Q1 '10
UK	1.8	1.8	2.0	0.8	0.2
Yemen	7.4	2.3	-8.6	13.0	1.0
Kurdistan	7.3	6.9	5.4	4.6	6.3
Africa	32.7	14.3	4.4	3.2	8.8
Other	-	-	-	-10.4	0.3
Total	**49.2**	**25.3**	**3.1**	**11.1**	**16.6**

Acquisition and Development costs (incl. intangible assets)

Total capital expenditure for the first quarter was NOK 70 million which is at the same level as in the same period last year. The development costs in Yemen of NOK 28 million in the quarter are mainly related to the facilities and infill well Bayoot-10 in Block 53 (NOK 27 million), capitalization of exploration well Alsaiq-1 in Block 47 (NOK 5 million), gas engine project in Block 43 (NOK 3 million) and correction of previous estimates for Block 32 (NOK 3 million). In the Kurdistan region of Iraq, accrued investments in the quarter were related to drilling of exploration well Bastora-1 in Erbil PSC (NOK 24 million) and completion of flowlines at Tawke (NOK 16 million).

Acquisition and Development cost

NOK mill	Q1 '11	Q4 '10	Q3 '10	Q2 '10	Q1 '10
UK	0.8	-	-	-	-
Yemen	28.1	22.2	33.0	31.1	44.4
Kurdistan	43.0	30.9	-43.1	4.8	25.2
Other	-1.5	1.2	1.4	0.7	-0.1
Total	**70.4**	**54.3**	**-8.8**	**36.5**	**69.5**

Outlook

DNO has now received confirmation from the KRG that cash advances will be made by the KRG to companies exporting oil from the Kurdistan region of Iraq. An amount of USD 110 million will be released to DNO by KRG as payment against some of the amounts due in respect of the Tawke PSC. This will form the basis for increased activities by DNO in Kurdistan going forward.

Our production in Yemen is expected to continue to decline until we will add new production from the Yaalen development, scheduled with first oil in first half of 2012.

Testing of the Bastora-1 well in the Erbil PSC in Kurdistan with a horizontal sidetrack, will be finalized and completed during the second quarter. The results will be evaluated together with the Benenan discovery for a development plan to be filed to the KRG in the second quarter.

The exploration drilling program for 2011 will continue with the high impact Summail well in the Dohuk PSC and thereafter the Peshkabir well in the Tawke PSC.

Drilling will be continued in Yemen with a current plan of 4-5 infill and appraisal wells, in addition to field development of Yaalen first phase.

DNO will also explore strategic options focused on continued increase in shareholder value over time.

Consolidated Statements of Comprehensive Income

NOK mill	Note	Q1 2011	Q4 2010	Q3 2010	Q2 2010	Q1 2010	Full year 2010	2009
Sales	2, 3	281.2	302.0	406.6	284.7	258.6	1,251.8	869.0
Cost of goods sold	4	-140.2	-144.7	-185.1	-155.6	-133.3	-618.7	-659.3
Gross profit		**141.0**	**157.3**	**221.4**	**129.0**	**125.3**	**633.1**	**209.7**
Other operating income		0.9	0.9	5.8	0.1	2.1	8.9	8.1
Tariffs and transportation		-2.7	-1.7	-5.2	-8.1	-7.8	-22.8	-36.9
Administrative expense/Other operating expenses	5	-15.8	-44.3	-342.4	-10.8	-8.6	-406.3	-204.3
Exploration cost expensed	6	-49.2	-25.3	-3.1	-11.1	-16.6	-56.2	-155.8
Net gain/loss from sale of PP&E		-	-	-	-	0.1	0.1	-
Profit/loss from operating activities		**74.2**	**86.8**	**-123.5**	**99.0**	**94.5**	**156.8**	**-179.1**
Share of profit/loss associates	7	-	-	-	-	-	-	-62.9
Financial income	7	6.5	11.6	45.8	31.5	28.5	44.7	522.3
Financial expenses	7	-103.2	-138.4	-40.5	-228.9	-72.5	-407.7	-252.4
Profit/loss before income tax		**-22.5**	**-40.0**	**-118.2**	**-98.4**	**50.5**	**-206.2**	**28.0**
Income tax expense	8	-42.9	9.1	-27.4	-22.7	-35.6	-76.6	-297.6
Net profit/loss		**-65.4**	**-30.9**	**-145.7**	**-121.1**	**14.9**	**-282.9**	**-269.6**
Other comprehensive income								
Currency translation differences	13	-58.8	10.0	-118.5	79.9	29.4	0.8	-289.8
Fair value changes available-for-sale financial assets	10	24.9	57.2	29.3	51.8	-41.6	96.8	-10.3
Total other comprehensive income, net of tax	8	**-33.9**	**67.3**	**-89.2**	**131.7**	**-12.2**	**97.6**	**-300.2**
Total comprehensive income, net of tax		**-99.2**	**36.4**	**-234.9**	**10.6**	**2.7**	**-185.2**	**-569.8**
Net profit/loss attributable to:								
Equity holders of the parent		-65.4	-30.9	-145.7	-121.1	14.9	-282.9	-269.6
Total comprehensive income attributable to:								
Equity holders of the parent		-99.2	36.4	-234.9	10.6	2.7	-185.2	-569.8
Earnings per share, basic		-0.07	-0.03	-0.16	-0.13	0.02	-0.31	-0.31
Earnings per share, diluted		-0.07	-0.03	-0.16	-0.13	0.02	-0.31	-0.31

Condensed Consolidated Statements of Financial Position

Assets

NOK mill	Note	Q1 2011	Q4 2010	Q3 2010	Q2 2010	Q1 2010	Full year 2010	2009
Non-current assets								
Other intangible assets	9	885.1	930.7	892.9	983.2	896.1	930.7	851.0
Property, plant and equipment	9	1,991.0	2,212.8	2,257.3	2,645.1	2,480.7	2,212.8	2,402.4
Available for sale investments	10	397.8	360.0	308.8	285.9	436.8	360.0	478.4
Derivative financial instruments	7	-	-	-	0.1	-	-	0.8
Total non-current assets		**3,273.8**	**3,503.5**	**3,459.1**	**3,914.2**	**3,813.6**	**3,503.5**	**3,732.6**
Current assets								
Inventories	4	306.4	211.6	202.8	165.3	157.3	211.6	157.4
Trade and other receivables	11	243.7	290.3	311.7	244.0	255.0	290.3	197.2
Other financial assets at fair value through P&L	7	4.1	2.6	2.8	2.3	2.4	2.6	1.8
Cash and cash equivalents	12	983.7	1,384.7	936.2	821.6	671.1	1,384.7	303.4
Total current assets		**1,537.9**	**1,889.2**	**1,453.4**	**1,233.2**	**1,085.8**	**1,889.2**	**659.8**
TOTAL ASSETS		**4,811.6**	**5,392.7**	**4,912.5**	**5,147.5**	**4,899.4**	**5,392.7**	**4,392.4**

Equity and liabilities

NOK mill	Note	Q1 2011	Q4 2010	Q3 2010	Q2 2010	Q1 2010	Full year 2010	2009
Equity								
Share capital		237.5	237.5	226.2	226.2	226.2	237.5	213.7
Other reserves	13	836.4	870.1	435.2	435.2	435.2	870.1	80.6
Retained earnings		936.2	1,001.6	1,062.8	1,297.7	1,287.1	1,001.6	1,284.4
Total equity		**2,010.1**	**2,109.1**	**1,724.2**	**1,959.1**	**1,948.5**	**2,109.1**	**1,578.7**
Non-current liabilities								
Interest-bearing liabilities	14	1,493.0	1,555.5	1,547.4	1,949.9	1,831.9	1,555.5	1,785.3
Deferred income tax liabilities		78.4	65.5	99.5	110.0	108.2	65.5	94.2
Provisions for other liabilities and charges	15	314.6	403.2	740.1	820.2	751.0	403.2	685.8
Total non-current liabilities		**1,885.9**	**2,024.2**	**2,386.9**	**2,880.2**	**2,691.2**	**2,024.2**	**2,565.3**
Current liabilities								
Trade and other payables	16	377.1	552.2	471.4	231.7	191.3	552.2	191.0
Income taxes payable		10.0	13.9	7.3	7.7	8.3	13.9	-
Current interest-bearing liabilities	14	-	257.5	256.8	-	-	257.5	-
Provisions for other liabilities and charges	15	528.5	435.8	66.0	68.8	60.1	435.8	57.3
Total current liabilities		**915.6**	**1,259.4**	**801.5**	**308.2**	**259.8**	**1,259.4**	**248.4**
TOTAL EQUITY AND LIABILITIES		**4,811.6**	**5,392.7**	**4,912.5**	**5,147.5**	**4,899.4**	**5,392.7**	**4,392.4**

Condensed Consolidated Cash Flow Statements

NOK mill	Note	Q1 2011	Q4 2010	Q3 2010	Q2 2010	Q1 2010	Full year 2010	2009
Operating activities								
Profit/loss before income tax		-22.5	-40.0	-118.2	-98.4	50.5	-206.2	28.0
Adjustments to add (deduct) non-cash items:								
+/- Net interest expense (-income)		25.2	21.2	24.5	23.3	26.1	95.2	106.0
Unsuccessful exploration and evaluation expenses	6	28.6	9.2	-3.1	11.0	-	17.2	56.2
Depreciation of PPE	4	72.1	72.5	111.2	72.2	61.1	317.0	300.9
(Gain)/loss on PPE	7	-	-	-	-	-0.1	-0.1	-
(Gain)/loss on shares		-1.1	-7.0	-0.5	-0.8	-	-8.3	-3.0
Impairment/Reversal of impairment of financial assets		-	1.3	4.5	198.8	-	204.6	-400.4
Other		-18.4	44.1	37.0	-18.7	28.2	90.6	270.4
Changes in working capital:								
- Inventories		-9.2	-16.9	-29.4	-8.1	0.2	-54.2	20.9
- Trade and other receivables		46.7	21.4	-67.7	11.0	-57.9	-93.2	-23.1
- Other financial assets at fair value through P&L		-1.5	0.2	-0.5	0.1	-0.6	-0.8	-0.7
- Trade and other payables		-175.1	80.9	239.7	40.4	0.3	361.3	-197.9
- Provisions for other liabilities and charges		41.1	-4.5	-2.8	8.7	2.8	4.2	-5.2
Cash generated from operations		-14.0	182.4	194.7	239.5	110.6	727.2	152.1
Income taxes paid		-29.3	-19.3	-27.3	-30.5	-16.9	-94.0	-92.2
Interest paid		-30.6	-25.8	-27.8	-26.4	-28.2	-108.3	-113.1
Net cash from operating activities		**-74.0**	**137.3**	**139.6**	**182.6**	**65.5**	**524.9**	**-53.3**
Investing activities								
Purchases of intangible assets	9	-25.0	-41.4	-20.2	-15.7	-17.8	-95.1	-
Proceeds from sale of intangible assets		-	-	-	-	-	-	-
Purchases of tangible assets	9	-45.4	-13.0	-29.4	-20.9	-51.7	-115.0	-215.7
Proceeds from sale of tangible assets		-	-	-	-	0.1	0.1	-
Purchases of available-for-sale financial assets	10	-13.8	-5.8	-1.5	-	-	-7.3	-
Proceeds from sale of available-for-sale financial assets		2.0	17.3	3.8	4.8	-	25.9	600.8
Interest received		5.4	4.6	3.3	3.1	2.1	13.1	7.2
Other investing activities		-	-	-	-	-	-	-
Net cash used in investing activities		**-76.9**	**-38.3**	**-44.0**	**-28.7**	**-67.3**	**-178.3**	**392.1**
Financing activities								
Proceeds from borrowings		-	-	-	-	-	-	-
Repayment of borrowings		-257.5	-	-	-	-1.4	-1.4	-55.9
Purchase of treasury shares, including options		-	-	-	-	-	-	-127.5
Proceeds from sale of treasury shares		-	-	-	-	367.1	367.1	-
Proceeds from issuance of shares		-	348.6	-	-	-	348.6	-
Net cash (used in)/from financing activities		**-257.5**	**348.6**	**-**	**-**	**365.8**	**714.3**	**-183.5**
Net increase/(decrease) in cash and cash equivalents		**-408.3**	**447.6**	**95.6**	**154.0**	**364.0**	**1,061.1**	**155.5**
Cash and cash equivalents at beginning of the period		1,384.7	936.2	821.6	671.1	303.4	303.4	176.1
Exchange gain/(losses) on cash and cash equivalents		7.4	0.9	19.0	-3.4	3.7	20.2	-28.2
Cash and cash equivalents at end of the period		**983.7**	**1,384.7**	**936.2**	**821.6**	**671.1**	**1,384.7**	**303.4**

Condensed Consolidated Statements of Changes in Equity

NOK mill	Note	Share Capital	Other Reserves	Retained Earnings	Total Equity
Balance at 1 January 2010		**213.7**	**80.6**	**1,284.4**	**1,578.7**
Fair value gains, net of tax:					
- available-for-sale financial assets		-	-	-41.6	-41.6
Currency translation differences		-	-	29.4	29.4
Other comprehensive income/loss		-	-	-12.2	-12.2
Profit/loss for the period		-	-	14.9	14.9
Total comprehensive income		-	-	2.7	2.7
Share option scheme:		-	-	-	-
- value of services provided		-	-	-	-
- proceeds from shares issued		-	-	-	-
Issue of share capital		-	-	-	-
Purchase of treasury shares		-	-	-	-
Sale of treasury shares		12.5	354.6	-	367.1
		12.5	354.6	-	367.1
Balance at 31 March 2010	13	**226.2**	**435.2**	**1,287.1**	**1,948.5**

NOK mill	Note	Share Capital	Other Reserves	Retained Earnings	Total Equity
Balance at 1 January 2011		**237.5**	**870.1**	**1,001.6**	**2,109.1**
Fair value gains, net of tax:					
- available-for-sale financial assets		-	24.9	-	24.9
Currency translation differences		-	-58.8	-	-58.8
Other comprehensive income/loss		-	-33.9	-	-33.9
Profit/loss for the period		-	-	-65.4	-65.4
Total comprehensive income		-	-33.9	-65.4	-99.2
Share option scheme:		-	-	-	-
- value of services provided		-	-	-	-
- proceeds from shares issued		-	-	-	-
Issue of share capital		-	0.2	-	0.2
Purchase of treasury shares		-	-	-	-
Sale of treasury shares		-	-	-	-
		-	0.2	-	0.2
Balance at 31 March 2011	13	**237.5**	**836.4**	**936.2**	**2,010.1**

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 Stock Exchange regulations.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2010. The interim financial information for 2011 and 2010 is unaudited.

The presentation of the consolidated cash flow statements was changed in the fourth quarter of 2010. The cash flow statements are now using Profit/loss before income tax as starting point instead of Profit/loss from operations before exploration expenses. Previous figures have been revised to reflect this change in presentation.

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

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

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2010.

Note 2 || Segment Information

Three months ended 31 March 2011 NOK million	Note	NE	YEM	KUR	AFR	OTHER	Total report. segm.	Unalloc./ elimin.	GROUP
Income statement information									
External sales	3	-	205.7	75.5	-	-	281.2	-	**281.2**
Inter-segment sales		-	5.1	4.5	1.2	-	10.8	-10.8	**-**
Cost of goods sold	4	-	-91.4	-48.5	-	-	-139.9	-0.2	**-140.2**
Gross profit		**-**	**119.4**	**31.5**	**1.2**	**-**	**152.0**	**-11.0**	**141.0**
Segment result		**-3.9**	**82.8**	**12.2**	**-33.7**	**-3.0**	**54.4**	**-4.0**	**50.4**
Interest - net									**-74.0**
Gain/loss on sale of shares									**1.1**
Income tax expense		-	-42.9	-	-	-	-42.9	-	**-42.9**
Net profit/loss									**-65.4**
Segment assets		**17.9**	**633.5**	**2,677.5**	**174.0**	**-**	**3,502.9**	**1,308.7**	**4,811.6**

Note 2 || Segment Information continues

Three months ended 31 March 2010 NOK million	Note	NE	YEM	KUR	AFR	OTHER	Total report. segm.	Unalloc./ elimin.	GROUP
Income statement information									
External sales	3	-	199.6	59.0	-	-	258.6	-	**258.6**
Inter-segment sales		-	3.1	1.9	0.3	-	5.3	-5.3	**-**
Cost of goods sold	4	-	-92.0	-41.1	-	-	-133.1	-0.1	**-133.2**
Gross profit		**-**	**110.7**	**19.8**	**0.3**	**-**	**130.8**	**-5.4**	**125.3**
Segment result		**-0.7**	**113.2**	**14.6**	**-8.5**	**-**	**118.6**	**-6.6**	**112.0**
Interest - net									**-61.5**
Gain/loss on sale of shares									**-**
Income tax expense		-	-35.6	-	-	-	-35.6	-	**-35.6**
Net profit/loss									**14.9**
Segment assets		**16.0**	**695.5**	**3,035.3**	**58.9**	**-**	**3,805.7**	**1,093.7**	**4,899.4**

Twelve months ended 31 December 2010 NOK million	Note	NE	YEM	KUR	AFR	OTHER	Total report. segm.	Unalloc./ elimin.	GROUP
Income statement information									
External sales	3	-	706.3	545.5	-	-	1,251.8	-	**1,251.8**
Inter-segment sales		-	11.0	5.6	1.1	-	17.8	-17.8	**-**
Cost of goods sold	4	-0.6	-353.9	-263.4	-0.1	-	-618.0	-0.7	**-618.7**
Gross profit		**-0.6**	**363.4**	**287.7**	**1.0**	**-**	**651.6**	**-18.5**	**633.1**
Segment result		**-6.8**	**346.6**	**-65.9**	**-29.9**	**-6.8**	**237.1**	**-281.1**	**-44.0**
Interest - net									**-170.6**
Gain/loss on sale of shares									**8.3**
Income tax expense		-	-76.6	-	-	-	-76.6	-	**-76.6**
Net profit/loss									**-282.9**
Segment assets		**16.0**	**674.8**	**2,904.2**	**181.8**	**-**	**3,776.7**	**1,616.0**	**5,392.7**

Note 3 || Sales

DNO is presenting its operations governed by Production Sharing Agreements (PSA) according to the net entitlement method. A reconciliation between working interest (gross) and net entitlement presentation is shown in a separate table below.

						Full year	
NOK mill	**Q1 2011**	**Q4 2010**	**Q3 2010**	**Q2 2010**	**Q1 2010**	**2010**	**2009**
Sale of petroleum products *	281.2	302.0	406.6	284.7	258.6	1,251.8	869.0
Other income	-	-	-	-	-	-	-
Total sales	**281.2**	**302.0**	**406.6**	**284.7**	**258.6**	**1,251.8**	**869.0**

Reconciliation sales - working interest/net entitlement

						Full year	
NOK mill	**Q1 2011**	**Q4 2010**	**Q3 2010**	**Q2 2010**	**Q1 2010**	**2010**	**2009**
Sale of petroleum products working interest	417.8	464.9	634.6	464.7	389.7	1,953.8	1,293.1
Government share of production before income tax payable	-136.6	-162.9	-228.0	-180.0	-131.1	-702.0	-424.1
Sale of petroleum products net entitlement	**281.2**	**302.0**	**406.6**	**284.7**	**258.6**	**1,251.8**	**869.0**

Note 4 || Cost of Goods Sold

NOK mill	Q1 2011	Q4 2010	Q3 2010	Q2 2010	Q1 2010	Full year 2010	2009
Lifting costs *	-68.1	-72.2	-74.0	-83.4	-72.2	-301.7	-358.3
Depreciation, depletion and amortisation	-72.1	-72.5	-111.2	-72.2	-61.1	-317.0	-300.9
Total cost of goods sold	**-140.2**	**-144.7**	**-185.1**	**-155.6**	**-133.3**	**-618.7**	**-659.3**

* 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 organisation.

Lifting costs of NOK 15.4 million and Depreciation, depletion and amortisation of NOK 83.4 million related to the exported volumes in Kurdistan in Q1 2011 have been capitalized as inventory in line with the accounting treatment in 2009. See Q4 2009 report for further information.

The depreciation related to the Water Purification Project (WPP) in Kurdistan in Q1 2011 amounts to NOK 0.9 million.

Note 5 || Administrative/Other Expenses

NOK mill	Q1 2011	Q4 2010	Q3 2010	Q2 2010	Q1 2010	Full year 2010	2009
Salaries and social expenses *	8.1	-23.0	-2.9	-1.9	-1.8	-29.6	-12.7
General and administration expenses **	-23.9	-21.3	-339.5	-9.1	-6.8	-376.7	-187.2
Other operating expenses	-	-	-	0.1	-	-	-4.3
Total administrative/other expenses	**-15.8**	**-44.3**	**-342.4**	**-10.8**	**-8.6**	**-406.3**	**-204.3**

* Salaries and social expenses directly attributable to operations are reclassified to lifting cost and exploration cost in profit or loss.
** The increase in General and administration expenses in Q3 2010 was mainly related to a provision for claims and legal costs in connection with the arbitration process. The arbitration was settled in April 2011. See Note 17 for further information on arbitration.

Note 6 || Exploration Cost Expensed

NOK mill	Q1 2011	Q4 2010	Q3 2010	Q2 2010	Q1 2010	Full year 2010	2009
Exploration expenses (G&G and field surveys)	-17.9	-9.0	-6.8	-13.9	-8.0	-37.7	-52.9
Seismic costs **	0.3	-3.5	-3.0	3.9	-6.8	-9.4	-32.6
Exploration costs capitalised in privious years carried to cost	-2.0	-	-	-	-	-	-
Exploration costs capitalised this year carried to cost	-26.6	-9.2	3.1	-11.0	-	-17.2	-56.2
Impairment of capitalised exploration costs	-	-	-	-	-	-	-
Other exploration cost expensed	-3.0	-3.6	3.6	9.9	-1.7	8.1	-14.1
Total exploration cost expensed *	**-49.2**	**-25.3**	**-3.1**	**-11.1**	**-16.6**	**-56.2**	**-155.8**

* For details on geographic spread of exploration cost expensed, see the Financial review section.
** Positive seismic costs in Q2 2010 were mainly due to reversal and repayment of previous cost estimates for the block in Syria.
Total dry well costs in Q1 2011 of NOK 28.6 million are mainly related to the exploration well Inhaminga High-1 in Mozambique.

Note 7 || Net Finance

NOK mill	Q1 2011	Q4 2010	Q3 2010	Q2 2010	Q1 2010	Full year 2010	2009
Share of profit/loss associates	-	-	-	-	-	-	-62.9
Interest received	5.4	4.6	3.3	3.1	2.1	13.1	7.1
Other financial income	1.1	7.0	0.5	0.8	0.6	9.1	59.5
Capitalised interest	-	-	-	-	-	-	-
Reversal impairment of financial assets	-	-	-	-	-	-	409.2
Financial income	6.5	11.6	3.8	3.9	2.8	22.1	475.7
Interest expense	-30.1	-25.8	-27.8	-26.4	-28.2	-108.3	-113.1
Exchange rate gain/loss, realised items	2.0	-0.4	-3.9	0.7	-6.4	-9.9	-2.3
Exchange rate gain/loss, unrealised items	-24.6	-71.5	41.5	26.9	25.7	22.6	39.1
Fair value gain/loss on financial instruments [1]	1.5	-0.2	0.5	-0.1	-0.1	-	-12.4
Impairment of financial assets	-	-1.3	-4.5	-198.8	-	-204.6	-8.7
Other financial expenses *	-52.0	-39.3	-4.2	-3.6	-37.8	-84.9	-108.4
Financial expenses	-103.2	-138.4	1.4	-201.3	-46.8	-385.1	-205.8
Net finance	**-96.7**	**-126.8**	**5.3**	**-197.4**	**-44.0**	**-363.0**	**207.1**

* Included in Other financial expenses is calculated interest related to the Water Purification Project liability in Kurdistan with NOK 48.8 million in Q1 2011.

[1] Fair value gain/loss on financial instruments

NOK mill	Q1 2011	Q4 2010	Q3 2010	Q2 2010	Q1 2010	Full year 2010	2009
Interest rate derivatives	-	-	-	-	-	-	6.3
Oilprice derivatives	-	-	-0.1	-	-0.7	-0.8	-19.4
Other financial assets at fair value through profit or loss	1.5	-0.2	0.5	-0.1	0.6	0.8	0.7
Fair value gain/loss on financial instruments, net	**1.5**	**-0.2**	**0.5**	**-0.1**	**-0.1**	**-**	**-12.4**

The oil price derivatives matured at 31 December 2010 and the carrying value was zero. Interest rate derivatives were settled in the second quarter of 2009. Other financial assets at fair value through profit or loss are shares in Nordic Mining ASA, valued at NOK 4.1 million at 31 March 2011.

Note 8 || Taxes

NOK mill	Q1 2011	Q4 2010	Q3 2010	Q2 2010	Q1 2010	Full year 2010	2009
Taxes payable	-	-	-	-	-	-	-
Deferred taxes	-17.4	35.1	-0.6	7.2	-10.4	31.3	-212.7
Income taxes payable related to production sharing agreements (PSAs)	-25.4	-25.9	-26.9	-29.9	-25.3	-108.0	-84.9
Total income tax expense	**-42.9**	**9.1**	**-27.4**	**-22.7**	**-35.6**	**-76.6**	**-297.6**

The interim period income tax expense is calculated by applying the tax rate appliccable 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.

The positive income tax expense for the fourth quarter 2010 was due to adjustment of deferred tax liability in Yemen as a result of higher utilization of cost oil in Block 43.

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

DNO has applied for credit deduction (kreditfradrag) for the operations in the Kurdistan region of Iraq similar as for the operations in Yemen. When the application for credit deduction is finally approved, the recorded revenues will be higher with a corresponding income tax expense (corporate tax) and a deferred tax liability.

Note 9 || Property, Plant and Equipment/Intangible Assets

NOK mill	Q1 2011	Q4 2010	Q3 2010	Q2 2010	Q1 2010	Full year 2010	2009
Acquisitions of PP&E *	45.4	13.0	-29.0	20.9	51.7	56.5	215.7
Acquisitions of Intangible assets **	25.0	41.4	20.2	15.7	17.8	95.0	457.2
Net book amount PP&E	**1,991.0**	**2,212.8**	**2,257.3**	**2,645.1**	**2,480.7**	**2,212.8**	**2,402.4**
Net book amount Intangible assets	**885.1**	**930.7**	**892.9**	**983.2**	**896.1**	**930.7**	**851.0**
Sale of PP&E							
Proceeds	-	-	-	-		-	-
Carrying value	-	-	-	-		-	-
Net gain/loss							
Impairment/reversal of impairment of PP&E	-	-		-			-

* Acquisitions related to development assets, assets in operation and other PP&E
** Acquisitions related to capitalised exploration costs and license interest

The total acquisitions for the first quarter in 2011 were NOK 70.4 million. The acquisitions of intangible assets of NOK 25 million mainly relate to the drilling of the exploration well Bastora-1 in the Erbil PSC in Kurdistan (NOK 24 million) and drilling of the Alsaiq-1 exploration well in Block 47 (NOK 5 million). In addition, there has been some adjustments to previously capitalized costs related to the Gabdain-1 (Block 72). The acquisitions of PP&E of NOK 45.4 milllion are mainly related to connecting of flowlines for T-3 and T-12 wells at the Tawke field (NOK 15.9 million), completion of development and infill wells at the Sharyoof and Bayoot fields in Block 53 (NOK 27.1 million) and NOK 3.4 million related to change of diesel engines with gas engines in Block 43.

Note 10 || 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 taken through other comprehensive income.

NOK mill	Q1 2011	Q4 2010	Q3 2010	Q2 2010	Q1 2010	Full year 2010	2009
Beginning of the period	360.0	308.8	285.9	436.8	478.4	478.4	36.8
Additions *	13.8	5.8	1.5	-	-	7.3	460.6
Sales **	-0.9	-10.5	-3.3	-4.0	-	-17.9	-
Revaluation surplus/deficit transfer to equity	24.9	57.3	29.3	51.8	-41.6	96.8	-10.3
Impairment ***	-	-1.3	-4.5	-198.8	-	-204.6	-8.7
End of the period [1)]	**397.8**	**360.0**	**308.8**	**285.9**	**436.8**	**360.0**	**478.4**
Non-current portion	397.8	360.0	308.8	285.9	436.8	360.0	478.4
Current portion	-	-	-	-	-	-	-

* Additions in Q1 2011 and Q4 and Q3 2010 relate to the investment in Rocksource ASA. Additions in 2009 related to the investment in Det norske oljeselskap (DETNOR), which previously was classified as investment in associated company. After DETNOR merged with Aker Exploration in December 2009, DNO's shareholding in DETNOR was 11.66% and thereby classified as Available-for-sale investment.
** Sales in Q1 2011 and in 2010 relate to sale of shares in Rocksource ASA.
*** Impairment of NOK 204.6 million in 2010 was related to the shares in Petrolia ASA (NOK 6.2 million), Rocksource ASA (NOK 3.3 million) and DETNOR (NOK 195.1 million).

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

NOK mill	Q1 2011	Q4 2010	Q3 2010	Q2 2010	Q1 2010	Full year 2010	2009
– Det norske oljeselskap ASA	373.1	349.8	294.1	265.6	387.3	349.8	437.9
– Petrolia ASA	3.3	2.4	3.7	5.0	7.7	2.4	8.9
– Rocksource ASA	21.3	7.8	11.0	15.3	41.7	7.8	31.6
[1)] Total available-for-sale financial assets	**397.8**	**360.0**	**308.8**	**285.9**	**436.8**	**360.0**	**478.4**

Note 11 || Trade and Other Receivables

NOK mill	Q1 2011	Q4 2010	Q3 2010	Q2 2010	Q1 2010	Full year 2010	2009
Trade receivables	71.5	84.3	96.0	78.6	99.6	84.3	68.1
Less: provisions for impairment of receivables	-	-	-	-	-	-	-
Trade receivables - net	71.5	84.3	96.0	78.6	99.6	84.3	68.1
Prepayments	55.0	7.4	9.0	10.2	3.8	7.4	9.4
Underlift, entitlement method	24.7	83.0	27.8	29.3	34.7	83.0	8.1
VAT receivable	5.2	3.6	3.3	3.2	3.6	3.6	3.0
Other short-term receivables *	87.3	112.1	175.5	122.6	113.4	112.1	108.6
Total trade and other receivables	**243.7**	**290.3**	**311.7**	**244.0**	**255.0**	**290.3**	**197.2**

* Included in Other short-term receivables is working capital related to the participation in oil and gas licenses.

Note 12 || Cash and Cash Equivalents

NOK mill	Q1 2011	Q4 2010	Q3 2010	Q2 2010	Q1 2010	Full year 2010	2009
Cash and cash equivalents , non-restricted	978.9	1,377.5	931.7	816.3	666.6	1,377.5	297.2
Cash and cash equivalents , restricted	4.9	7.2	4.5	5.3	4.6	7.2	6.2
Total cash and cash equivalents	**983.7**	**1,384.7**	**936.2**	**821.6**	**671.1**	**1,384.7**	**303.4**

Note 13 || Equity

Other reserves

NOK mill	Share premium	Other paid-in capital	Available-for-sale investm.	Other reserves	Translation	Total
Balance at 1 January 2010	**32.5**	**339.2**	**-**	**-133.2**	**-157.8**	**80.6**
Correction of opening balance	-	-	-	-	-	-
Treasury shares:						
- Sale of treasury shares	-	8.2	-	346.4	-	354.6
- Purchase of treasury shares	-	-	-	-	-	-
Other paid in capital	-	-	-	-	-	-
Derivative contracts treasury shares	-	-	-	-	-	-
Share premium fund transfer	-	-	-	-	-	-
Balance at 31 March 2010	**32.5**	**347.4**	**-**	**213.2**	**-157.8**	**435.2**
Balance at 1 January 2011	**369.8**	**347.4**	**96.8**	**213.2**	**-157.0**	**870.1**
Revaluation, net of tax	-	-	24.9	-	-	24.9
Treasury shares:						
- Sale of treasury shares	-	-	-	-	-	-
- Purchase of treasury shares	-	-	-	-	-	-
Other paid in capital	-	-	-	-	-	-
Issue of share capital	0.2	-	-	-	-	0.2
Transferred from retained earnings	-	-	-	-	-	-
Currency translation differences:						
- Group	-	-	-	-	-58.8	-58.8
- Associates	-	-	-	-	-	-
Balance at 31 March 2011	**370.0**	**347.4**	**121.7**	**213.2**	**-215.8**	**836.4**

Note 14 || Interest-Bearing Liabilities

NOK mill	Q1 2011	Q4 2010	Q3 2010	Q2 2010	Q1 2010	Full year 2010	2009
Non-current							
Bonds	1,493.0	1,555.5	1,547.4	1,949.9	1,831.9	1,555.5	1,785.3
Total non-current interest-bearing liabilities	**1,493.0**	**1,555.5**	**1,547.4**	**1,949.9**	**1,831.9**	**1,555.5**	**1,785.3**
Current							
Current portion of bonds	-	257.5	256.8	-	-	257.5	-
Liabilities to financial institutions	-	-	-	-	-	-	-
Total current interest-bearing liabilities	**-**	**257.5**	**256.8**	**-**	**-**	**257.5**	**-**
Total interest-bearing liabilities	**1,493.0**	**1,813.0**	**1,804.2**	**1,949.9**	**1,831.9**	**1,813.0**	**1,785.3**

NOK mill	Currency	Amount	Interest	Maturity	Q1 2011	Q4 2010
Bond loan (ISIN NO0010270523)	USD	85.0	Libor + 3,5%	06/06/2012	468.6	497.8
Bond loan (ISIN NO0010283732)	NOK	177.0	Fixed 7,215%	12/10/2012	177.0	177.0
Bond loan (ISIN NO0010283724)	NOK	284.0	Nibor + 3,5%	12/10/2012	284.0	284.0
Bond loan (ISIN NO0010478027)	USD	41.8	Libor + 4%	12/10/2012	230.5	244.8
Bond loan (ISIN NO0010478019)	USD	62.4	Fixed 6,445%	12/10/2012	344.0	365.4
Borrowing issue costs					-11.2	-13.5
Total non-current interest-bearing liabilities					**1,493.0**	**1,555.5**

DNO completed a new bond issue of approximately USD 240 million on 30 March 2011 with funding in April 2011. See Note 17 for further information.

Note 15 || Provisions for Other Liabilities and Charges

NOK mill	Q1 2011	Q4 2010	Q3 2010	Q2 2010	Q1 2010	Full year 2010	2009
Non-current							
Asset retirement obligations	14.4	14.9	14.4	17.5	15.7	14.9	14.9
Other long-term obligations	300.1	388.3	725.6	802.7	735.3	388.3	670.9
Total non-current provisions for other liabilities and charges	**314.6**	**403.2**	**740.1**	**820.2**	**751.0**	**403.2**	**685.8**
Current							
Other provisions and charges	528.5	435.8	66.0	68.8	60.1	435.8	57.3
Total current provisions for other liabilities and charges	**528.5**	**435.8**	**66.0**	**68.8**	**60.1**	**435.8**	**57.3**
Total provisions for other liabilities and charges	**843.0**	**839.0**	**806.0**	**889.0**	**811.2**	**839.0**	**743.2**

NOK mill	Asset retirem. oblig.	Other non-current	Other current	Total
Balance at 31 December 2010	**14.9**	**388.3**	**435.8**	**839.0**
Charged to consolidated income statement:				
- Additional provisions	-	-	-	-
- Unused amounts reversed or reclassified	-0.5	-88.2	92.7	4.1
Charged to equity:				
- Additional provisions	-	-	-	-
- Unused amounts reversed	-	-	-	-
- Contracts exercised	-	-	-	-
Exchange differences	-	-	-	-
Incurred and charged against the provision during the period	-	-	-	-
Balance at 31 March 2011	**14.4**	**300.1**	**528.5**	**843.0**

Included in Other long-term obligations is provision for the Water Purification Project (WPP) in Kurdistan. The WPP was capitalized in 2009 and is depreciated over the period of production. The WPP liability will not be payable until export revenues have been received by DNO. 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 is classified as short-term at 31 March 2011 and included in Other provisions and charges (current).

Note 16 || Trade and Other Payables

NOK mill	Q1 2011	Q4 2010	Q3 2010	Q2 2010	Q1 2010	Full year 2010	2009
Trade creditors	6.7	6.6	12.6	14.4	5.7	6.6	8.2
Public duties payable	3.0	6.9	2.2	3.8	2.8	6.9	6.0
Prepayment from customers	0.5	42.7	0.7	0.8	0.8	42.7	0.9
Other accrued expenses	358.2	496.0	454.8	210.9	182.0	496.0	176.0
Total trade and other payables	**377.1**	**552.2**	**471.4**	**231.7**	**191.3**	**552.2**	**191.0**

Prepayment from customers in Q4 2010 was related to local sales contracts for Tawke field in Kurdistan.

Other accrued expenses include provisions for claims and legal costs related to the arbitration proceedings. The arbitration has now been settled outside of the arbitration process. See Note 17 for further details.

Note 17 || Contingencies and Events after the balance sheet date

Bond issue

On 30 March 2011, DNO completed a senior unsecured bond issue of approximately USD 240 million, split between an USD tranche of approximately USD 140 million and a NOK tranche of approximately NOK 560 million. The new bond issue has a five year tenor and carries a floating interest rate of LIBOR/NIBOR + 7.50%. The purpose of the loan is refinancing and general corporate purposes. DNO has in connection with the bond issue agreed to purchase the aggregate of USD 170.3 million and NOK 307.5 million of its various outstanding bond issues. The new bond issue will be listed on the Oslo Stock Exchange. After the settlement of the new bond issue, DNO made a buy-back of most of the outstanding amounts on the current bonds.

Arbitration

As previously reported, DNO Iraq AS, a subsidiary of DNO International ASA, was involved in arbitration related to certain third party interests in Kurdistan. A preliminary arbitration ruling was received in October 2010 and a total provision of USD 65 million plus provisions for legal expenses have been recorded in the financial statements for 2010. The arbitration case has now been settled outside of the arbitration process, with no additional material effect to the financial statements for 2010 or future accounts.

Ongoing drilling Yemen

Alsaiq-1 (Block 47)
This well is located in the southern part of Block 47 and was spudded 17 March 2011. The Alsaiq well is considered as a wild cat, since several new plays will be tested. Drilling operations are progressing according to plan.

Ongoing drilling Kurdistan

Bastora-1/1A (Erbil PSC)
The Bastora-1A is the horizontal well, side-tracked from the Bastora-1 discovery, announced earlier this year. The Bastora-1A horizontal section is 660 m long, and was drilled to a total depth of 3,536 m, measured depth (MD). The purpose of the well is to perform production tests in the cretaceous formation by the use of a horizontal well drainage strategy.

The horizontal side-track is now completed, and the production test is expected to commence within the next few weeks.

Summail-1 (Dohuk PSC)
This exploration well is located in the Dohuk PSC and it was spudded 19 April 2011. The Summail prospect is an undrilled prospect with significant potential, and it is considered to be the most exciting exploration target within DNO's portfolio in Kurdistan since the Tawke discovery.

Export payment

DNO has received confirmation from the KRG that cash advances will be made by the KRG to companies exporting oil from the Kurdistan region of Iraq. An amount of USD 110 million will be released to DNO by KRG as payment against some of the amounts due in respect of the Tawke PSC.

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