



ANNUAL STATEMENT OF RESERVES 2010 DNO INTERNATIONAL ASA

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1 Introduction and summary

1.1 Introduction

This report has been prepared in accordance with the Oslo Stock Exchange listing and disclosure requirements, circular no. 9/2009. The report provides the status of hydrocarbon reserves and contingent resources as of 31.12.2010 for DNO International ASA's ("DNO") license portfolio.

1.2 Summary

As outlined in table 1, the reported 2P/P50 reserves for DNO as of 31.12.2010 are 194.2 million barrels of oil equivalents.

This represents an increase of 30% compared to the year before. The main reason for the increase is the revision in the estimate for remaining reserves at the Tawke field in Kurdistan region of Iraq. DNO has contracted BeicipFranlab (BF) to undertake an independent expert evaluation of the Tawke reserves, and it has been decided to use the BF revised estimates as the basis for the 2010 reserves for the Tawke field.

Total P50 reserves and contingent resources, corresponding to class 1-5 (Norwegian Petroleum Directorate classification) are now 206.7 million barrels, on a working interest basis, up from 155.3 million barrels at year end 2009.

2 Operational highlights 2010

DNO's business model and strategies stand firm with our main objective to increase production from a strong reserve base. In addition, the Company will continue to target new reserves and resources through exploration efforts in selected areas.

Field development and appraisal Kurdistan region of Iraq

At the Tawke field in Kurdistan, the construction of flowlines to connect the Tawke-3 and Tawke-12 wells with the Central Processing Facility, was completed during 2010. The field was connected to the northern pipeline system during 2009, but in 2010 all production was sold to the domestic market.

A comprehensive data-acquisition programme was undertaken during the year to improve the understanding of the intra-reservoir dynamics in the Tawke field. This has resulted in a new fracture model of the reservoir. The new fracture network model exhibits a more homogenous distribution of fractures, with improved properties high on the structure. This implies an even rise of the water table, in contrast to the previous model which encountered significant coning of water into the producers. This work has resulted in a revision of the reserves estimate in the Tawke field.

The Benenan field in the Erbil PSC was discovered by Hawler-1 in 2007 and appraised by Erbil-2 in 2008. Testing of the Erbil-2 well was completed in 2010 with preliminary results confirming oil in the upper Najmeh reservoir. The forward plan for the license is depending on results from the ongoing testing of the Bastora prospect (refer to page 4).

Field development and appraisal Yemen

In Yemen, there is an overall decline in production as expected, but production is maintained at a higher level than forecasted. The development wells Godah-11 and Godah-12 contribute both to improved oil production and gas delivery for fuel in Block 32. In Block 53, three new infill wells contributed significantly to increased production from the Basement formation.

In Block 43, a gas injection pilot project in the Nabrajah-10S well was undertaken in 2010. The results together with reservoir simulation studies indicated potential for further drilling in the Nabrajah deep formation and a new well is planned in 2011. Costs saving projects in Block 43 in Yemen were introduced during the year. Gas engines have been installed at the power generators to use produced gas for fuel and reduce the consumption of diesel. This contributes to operational cost savings in addition to positive environmental effects.

In Block 47, drilling of the Yaalen-3 well was undertaken in the second quarter and was successfully tested in two Qishn intervals. It is anticipated that the combined flow capacity of these two intervals would reach 8,000 -10,000 bopd. Further on, the drilling of the Sharnah-2 well which took place in June/July penetrated the reservoir 20 meters deeper than prognosis, and the reservoir sands were water bearing. Based on the results of these two wells together with the Yaalen-1 and Sharnah-1 wells, in addition to engineering and feasibility studies, the partners have now agreed and approved to develop the discoveries. Phase 1 of the Yaalen development will be based on the concept of local processing facilities with a capacity of 5,000 bopd and trucking of oil to the Nabrajah installations in the neighbouring Block 43 for further export into the existing pipeline system. The project schedule indicates that first oil will be exported in the first quarter of 2012. In the second phase development of Yaalen the capacity will be increased to 10,000 bopd through pipeline connection to the Nabrajah field. Sharnah is currently planned to be connected to the facilities at a later stage.

Exploration

Kurdistan region of Iraq

The Bastora-1 well on the southern extension of the Erbil License is targeting a separate prospect as defined by the 3D seismic and was spudded in September. The well proved oil-bearing formations in several geological layers. An extensive well test programme has been undertaken and currently testing of a horizontal sidetrack is being carried out in order to analyse possible commerciality of the discovery.

Yemen

The exploration activities in Yemen during the year did not result in any new discoveries. The drilling of the Gabdain-1 well in Block 72 commenced in November and was followed by Gabdain-2 in early 2011. The results of these wells are currently being evaluated.

3 MD&A

3.1 Disclaimer

This Management's Discussion and Analysis ("MD&A") includes and is based, inter alia, on forward-looking information and statements that are subject to risks and uncertainties. We wish to caution that this information and these statements and estimates are only predictions. The actual events or results may differ materially. These statements and this MD&A are based on current expectations, estimates, and projections about technical, geological, geotechnical and economic assumptions on which the reserve and resource estimates are based as well as global economic conditions, the economic conditions of the regions and industries that are major markets for DNO (including subsidiaries and affiliates) and its lines of business. These expectations, estimates and projections are generally identifiable by statements containing words such as "expects", "believes", "estimates" or similar expressions. Important factors that could cause actual results to differ materially from those expectations include, among others, technical, geological and geotechnical conditions, economic and market conditions in the geographic areas and industries that are or will be major markets for DNO's businesses, oil prices, market acceptance of new products and services, changes in governmental regulations, interest rates, fluctuations in currency exchange rates and other such factors that may be discussed from time to time in the MD&A. Although DNO believes that its expectations and this MD&A are based upon reasonable assumptions, the company can however give no assurance that those expectations will be achieved or that these actual results will be as set out in the MD&A. DNO makes no representation or warranty, expressed or implied, as to the accuracy, reliability or completeness of the MD&A, and neither DNO nor any of its directors, officers or employees will have any liability to the readers of this MD&A.

3.2 Assumptions and methodology

DNO reserve updates are done in accordance with standard guidelines advised by the Society of Petroleum Engineers (SPE)^{1, 2} and comply with the Oslo Stock Exchange disclosure requirements, circular no. 9/2009.

In general, the estimation and auditing of reserves are undertaken in accordance with generally accepted engineering and evaluation principles. However, it should be noted that reserves information is imprecise due to inherent uncertainties in, and the limited nature of data upon which the reserves are predicated.

Accordingly, DNO has set up an independent Reserve Board, consisting of competent professional geoscientists, engineers and economists to facilitate the reserve process and ensure compliance with standards and procedures. The Reserve Board collects and coordinates all technical data in connection with the updates, and reports the total portfolio of reserves and resources to the Managing Director and the Board for review and approval. The procedure set forth in the estimating and auditing of the reserves is based on internal corporate procedures. The procedures describe the work process with clearly defined roles and responsibilities, including the use of external auditors when deemed necessary.

DNO has applied several methods to calculate the reserves. In addition to the stochastic monte carlo simulation, deterministic methods and scenario based methods have been used to arrive at the low case and the best estimate for reserves. For fields with long production history, the various outcome scenarios are estimated by extrapolation of the production trends observed in the field, coupled with additional oil production from new wells budgeted for.

¹ For a full description of these guidelines and definitions, see www.spe.org

² http://www.spe.org/industry/reserves/docs/Reserves_Audit_Standards_2007

The best estimate (2P or P50) of the recoverable reserves is considered to represent the most probable quantity of oil and gas that will be recovered from a reservoir given the information available at that time. The low estimate (1P, 'Proved reserves' or P90) is best represented by a 'do nothing case', which infers a 'harvest' case without any further technological application or financial investments. We have used the low value of a probabilistic determination of a "do nothing case" reserves as 1P/P90.

Thus the *proved developed* reserves calculations on the fields with long production history, the 1P case is the exponential decline curve, the 2P case is the hyperbolic decline and finally the 3P (P10) case is the harmonic decline curve giving the ultimate technical reserves within the license period. On top of this the economic parameters like PSA/PSC terms and oil price forecast is included to give economical recoverable reserves.

The reserves are restricted to those volumes that are expected to be economically recovered prior to the expiry date of the license.

We have categorized all fields in production as "developed assets". For the Yemen assets we have included short term investments in future production wells. For the Tawke field, which has an expected lifetime up to 2031, we have also made an assumption on future investments in facilities, pipelines and wells in order to recover the volumes reported.

3.3 Oil price

The forward curve for Brent blend as of 31.12.2010 (and linearly extrapolated beyond 2016), adjusted for quality differences has been used for economic evaluation of the reserves, and calculation of net entitlement reserves.

For fields in the decline phase, with relatively limited remaining field life, fluctuations in the oil price could have a significant impact on the profitability and hence the economic cut-off time for production from such fields.

Oil from the Tawke field that is being sold domestically achieves a price considerably lower than the international crude oil price. When full scale production and export from the field recommences, oil will be delivered through the Iraqi pipeline system at international market prices less any appropriate discount.

3.4 Ownership

DNO's operations in Yemen and the Kurdistan region of Iraq are regulated by the governments through Production Sharing Agreements (PSAs) and Production Sharing Contracts (PSCs) respectively. Under these agreements/contracts, the ownership to unexploited petroleum resources remains with the government, whereas exploration and production is carried out by international oil companies. The PSA/PSC typically is a contract between an oil producing company and the host government which governs the rights and duties of both parties in respect of the operations of a producing block/area, and in particular governs how the revenues from oil produced are shared between the government and the contracting oil producers.

Under the PSAs/PSCs, DNO, along with other working interest holders typically bear all risks and costs of exploration, development and production. In return, if exploration is successful, DNO recovers the investments and operating costs from the Cost Oil terms of the PSA/PSC which is a percentage of the produced and sold quantities after deduction of royalty. DNO is also entitled to receive a share of the produced quantities in addition to the Cost Oil element, which is referred to as Profit Oil or Production Sharing Oil. The sharing of Profit Oil is a direct function of the working interest of the parties to the PSA including the government.

The sum of the Cost Oil entitlement (which may be equal to DNO's working interest, but can also include the working interests of other parties if such other parties have their costs carried by DNO) and the Profit Oil entitlement attributable to DNO's working interest represent the total entitlement to DNO of the oil produced under a PSA/PSC. The government typically is entitled to its share of oil produced firstly by a Royalty percentage, and then by its share of the Profit Oil after the Cost Oil entitlement to the paying partners is deducted from the produced oil. In certain cases the government may have a working interest of a PSA/PSC (typically Carried Interest) through a government controlled enterprise, and in which case the government will receive its share of the Profit Oil in line with the other interest holders of the PSA. The sum of Royalty, government share of Profit Oil, and government controlled enterprise share of Profit Oil (if any), represents the "government take" of oil produced under a PSA/PSC.

In Kurdistan, DNO's participating interest in Tawke PSC is 55% and the funding obligation includes carried interest of 20%. The paying interest share for DNO is therefore 75%. DNO's share of profit oil is 68,75%, and hence DNO's working interest and net entitlement share will change over time due to the variation in cost oil/profit oil ratio.

In table 1 and 3, the working interest estimates for the Yemen and the Kurdistan fields include DNO's share of cost oil resulting from carried interest. The net entitlement figures in table 2 are based on economic evaluations of the PSAs/PSCs regulating DNO's operations, and include a volume related to the notional tax paid on behalf of the contractors by the government.

DNO is of the opinion that working interest figures are better for comparison of hydrocarbon reserves across countries and regions which have different tax regulations or tax regimes. The reserve development figures shown in table 3 are therefore based on working interest. Net entitlement figures are based on forecasts concerning cost oil and profit oil, therefore these volumes are more impacted by estimates related to future costs and oil prices. The net entitlement figures will therefore fluctuate over time, without any changes in the underlying reserve figures (discoveries, revisions and production).

3.5 Independent expert assessment of reserves

DNO's procedures for reserves evaluation include the recommendation to use third party experts especially in the following situations:

- On fields with limited production history
- If vital parameters in reserve calculations have been changed

The Tawke field represents the most significant oil and gas asset for DNO, and a new evaluation of reserves was initiated towards yearend and completed in the first quarter 2011.

3.5.1 Independent audit of Tawke reserves

DNO has contracted BeicipFranlab (BF) since 2007 to undertake an independent evaluation of the Tawke reserves. BF specialises in fractured carbonate reservoirs with focus in this geographical area.

In the fourth quarter of 2010, the reservoir models have been updated and a complete set of simulation runs has been undertaken in order to update the reserves. The new audit estimates the P50 ultimate gross recoverable reserves to be 306 million barrels compared to 230 million barrels reported in 2009.

The produced volumes from the Tawke field in 2010 were 4.3 million barrels and accumulated production at year end 2010 is 13.5 million barrels. Remaining gross reserves (including royalty) are consequently 292.5 mill barrels.

3.5.2 DNO assessment and comparison between DNO and BeicipFranlab reserve estimates for Tawke

DNO's revised reserve estimates for the Tawke field deviates from the figures presented by BF. DNO has taken into account more recent production information in addition to improved geological and reservoir technical information in the updated reservoir model. In addition DNO has implemented more proactive reservoir management measures in the model, particularly with respect to future recompletion of wells and shut-off of water producing zones in the oil producing wells. The combined efforts suggest a higher recovery factor than predicted by the BF study. DNO's revised estimates show that the gross ultimate P50 reserves are 387 million barrels for the Tawke Field, compared to 306 million barrels estimated by BF.

DNO has also estimated that the current upside potential of ultimate gross recoverable reserves in Tawke is 650 million barrels compared to BF's 612 million barrels (these figures are referring to P10 estimates). Similarly, the DNO estimate for the P90 ultimate gross recoverable reserves is 206 million barrels versus BF's estimate of 175 million barrels.

The above reserves figures do not include effects of increased oil methods (enhanced recovery methods). DNO has initiated external studies to evaluate the potential for further improvement of the recovery from the Tawke field.

TAWKE FIELD						
TOTAL ULTIMATE RECOVERABLE RESERVES (million barrels)						
	BEICIPFRANLAB			DNO		
	2010			2010		
	Cretaceous	Tertiary	Total	Cretaceous	Tertiary	Total
STOOIP (P50)	1291	148	1439	1536	148	1684
RESERVES (P50)	281	25	306	362	25	387
RECOVERY FACTOR	21,8 %	16,8 %	21,3 %	23,6 %	16,8 %	23,0 %
RESERVES (P90)	154	21	175	185	21	206
RESERVES (P10)	577	35	612	615	35	650

The table above shows the estimates made by BF and DNO. BF's revised P50 figure is 306 million barrels compared to DNO's figure of 387 million barrels. The main reasons for the increase in BF's figures compared to previous estimates, and the difference versus DNO are as follows:

Tawke 2010 revision (BeicipFranlab)

- Increase in recovery factor from 17% to 21.8% due to improved reservoir properties derived from reservoir data during production
- Oil in place (STOOIP) marginally increased

Difference between BF and DNO estimates

- DNO has higher STOOIP in Cretaceous due to higher porosity (derived from recent well testing)
- DNO has higher recovery factor (23%) as a result of active reservoir management with respect to future shut-off of water producing zones in the production wells

DNO has now commissioned BF to update their models with the latest information used by the operator, and the company plans to report a further update to the market once this work has been completed.

4 Reserves per field

Volumes classified as reserves are those quantities of petroleum which are anticipated to be commercially recovered from known accumulations from a given date forward to the end of the field life.

A summary of the remaining proved and probable reserves per field as of 31.12.2010 is given in table 1 (working interest) and table 2 (net entitlement). Table 3 shows a reconciliation of the changes in the reserves from 31.12.2009 (working interest). All figures are stated excluding royalty.

4.1 Kurdistan region of Iraq

4.1.1 Tawke PSC

The production from Tawke in 2010 was only for domestic sale, and the gross production of 11,845 barrels per day was far below capacity for the field.

Extensive downhole pressure monitoring has provided valuable information regarding the Cretaceous reservoir properties during the year. Especially important is the fracture permeability and porosity which is difficult to quantify based on static data alone. Natural fractures play an essential role in low permeable carbonates, and the understanding of the fracture distribution and properties are the key to improve the production from naturally fractured carbonate reservoirs like Tawke. Static data such as log data, cores, outcrop data and seismic have provided information regarding distribution and direction of fractures while dynamic data has been used to quantify the properties. An improved reservoir model has been constructed and based on that model we have been able to get improved understanding of fracture permeability, fracture distribution in addition to the fracture and vug porosity. The new model indicates high fracture permeability along the crest of the entire reservoir, while the downflank (water zone) is less fractured and thus have less permeable 'conduits' for transporting water. From a production point of view this is more favourable as water breakthrough in the wells will be delayed. Furthermore, thorough analysis indicates that the volume (i.e. porosity) of fractures and vugs are higher than previous estimates based on studies of analogue fields. This observation contributes significantly to the reserve increase due to the high recovery from fractures.

The new evaluations have resulted in somewhat higher oil in place (STOOIP) volumes for the Cretaceous reservoir, however the recovery factor increases from 16.6% in 2009 to 21.8% in 2010, representing an increase of 80 million barrels (gross volume).

The upper Tertiary Jeribe formation has limited production in 2010 and the reservoir performance is in line with the current models, accordingly there are no changes to STOOIP and reserves.

For the Tawke field the remaining economic gross reserves excluding royalty have thereby been estimated to 263.8 million barrels at year end 2010, and represents an increase of 65 million barrels (i.e. +33%) compared to 2009.

4.2 Yemen

In Yemen, DNO currently holds interests in 5 licenses, of which 4 as operator. Currently, five fields in three blocks are in production. All of the producing fields, except Godah have experienced reduced production in 2010 compared to 2009. The observed decline is slightly lower than anticipated.

4.2.1 Block 32

Tasour

In the DNO operated block 32, the Tasour field has been producing since November 2000. Several new appraisal and development wells have been drilled over the years resulting in increased reserves and production. The remaining gross reserves are estimated at 2.6 million barrels of oil as of 31.12.2010, which is a slight increase from the year before.

Godah

The Godah field was discovered in the first quarter of 2006, and two appraisal wells were drilled later the same year. The field was put on production in October 2006. In 2007, five more wells were drilled into the structure, and in 2009 two additional production wells were drilled. Godah-11 and Godah-12 were drilled in 2010 and contributed to improved production. The remaining economic gross reserves per 31.12.2010 were 2.0 million barrels of oil, which is the same level as at the beginning of the year.

4.2.2 Block 43

Nabrajah

Block 43 is operated by DNO. The Nabrajah field has been in production since July 2005. Oil is produced both from the Qishn formation sandstone reservoirs and from the deeper Shuqra formation fractured carbonates and fractured basement. The well Nabrajah-5 is the only well producing from the deep reservoirs. During 2010 no new wells were drilled into the Qishn reservoir. After drilling of Nabrajah-10 in 2009/2010, it has been concluded that more work is needed to map and understand the more complex deeper formations in Nabrajah. The reserves in this formation have been reduced from the previous year, but the estimate for Qishn formation has been slightly increased. The remaining economic gross reserves in the Nabrajah field are now estimated to 3.1 million barrels.

4.2.3 Block 47

Yaalen/Sharnah

The Yaalen discovery made in 2009 has been reclassified from resources to reserves and moved from class 5 (development likely to class 3), as the license partners have committed to a first phase development. The ultimate gross reserves in Yaeen phase 1 development is estimated to 6.7 million barrels. The second phase development, including Sharnah, has been included as contingent resources – refer to section 5.

4.2.4 Block 53

Sharyoof

Block 53 is operated by Dove Energy Ltd. The Sharyoof production started December 2001. The field development plan was based on an initial gross reserve estimate of 25 million barrels of oil in the Qishn reservoir. Successful appraisal and development drilling has contributed to increased production and reserves since the start of production. No new wells were drilled at the Sharyoof field in 2010. Remaining economic gross reserves as of 31.12.2010 were 4.1 million barrels of oil.

Bayoot

South of the Sharyoof field, oil was discovered in fractured basement and Madbi sandstone and carbonate by the three exploration wells Bayoot South West-2, Hekma-1 and Bayoot South-1. Oil production commenced September 2006. The wells Bayoot-7, 8, 9 and -10 were put on production during 2010. After drilling of Bayoot-10 there was a break in the drilling activities in the license. The plan is to start drilling Bayoot wells in the 3rd quarter of 2011. The remaining gross reserves per 31.12.2010 are 6.7 million barrels. DNO performs extensive decline curve analysis to arrive at the reserves, and these analyses give a more conservative estimate compared to the operator, who reports 9.9 million barrels for the Bayoot field.

5 Contingent Resources

Contingent resources are those quantities of petroleum which are estimated, on a given date, to be potentially recoverable from known accumulations, but which are not currently considered to be commercially recoverable, or where a PDO has not yet been submitted. DNO's reported contingent resources are included as resources class 4 (in planning phase) and class 5 (development likely) under NPD's classification system.

In Equatorial Guinea, DNO has an interest of 5 % in Block P. A plan for development and operations was filed in 2007. There has been no change in the recoverable reserves from last year, and these are estimated to a total 30 million barrels (gross) based on a P50 or best estimate basis and are classified as resources in class 5 (development likely). DNO's working interest share is 1.5 million barrels.

The Euphrates formation at the Tawke field represents additional marginal reserves to the main field, and is estimated to be gross 1.5 million barrels with 1.1 million barrels to DNO.

The Benenan discovery in Erbil license in Kurdistan region of Iraq was previously reported in class 7 (resources under evaluation), and has now been moved to class 5 (development likely). During 2010 the seismic has been reprocessed and well testing of Erbil-2 has been undertaken. Although the Najmeh reservoir had low productivity in the (vertical) well tests, simulations show potential for higher rates with horizontal wells penetrating fractures. The Mus reservoir in Benenan has good properties and is expected to yield good production rates. Total resources in Benenan are currently estimated to 22.5 million barrels – with 8.9 million barrels to DNO. Further technical work will be carried out to firm up these volumes and to mature the discovery further from resources to reserves.

In Block 47 in Yemen, the Sharnah discovery was made in 2008 and an appraisal report was filed in June 2008. During 2010, extensive work has been undertaken to evaluate the size and structure of the field, in addition to completion of a new 3D seismic survey. The work carried out in the block has led to a significant reduction of the estimate of recoverable reserves in Sharnah compared to last year, however this has been offset by higher reserves in Yaalen, which now has been classified as reserves under development. The estimated gross recoverable volumes in Sharnah is now estimated to 1.1 million barrels with DNO's share 0.5 million, and is classified as contingent resources, class 5. Phase 2 of the Yaalen development is also classified as contingent resources, with estimated reserves of 0.7 million barrels – i.e 0.3 million barrels to DNO.

6 Annex

Table 1 – Remaining reserves per field as of 31.12.2010 – working interest 1)

	1P / P90			2 P / P50		
	Oil		Net	Oil		Net
	Gross (mdbl)	Interest *%	mdbl	Gross (mdbl)	Interest *%	mdbl
Developed assets						
Block 32 Tasour	2,0	41,00 %	0,8	2,6	41,00 %	1,1
Block 32 Godah	1,4	41,00 %	0,6	2,0	41,00 %	0,8
Block 43 Nabrajah	1,4	66,67 %	0,9	3,1	66,67 %	2,0
Block 53 Sharyoof	2,0	32,60 %	0,6	4,1	32,60 %	1,3
Block 53 Bayoot	3,0	32,60 %	1,0	6,7	32,60 %	2,2
Tawke 2)	146,0	70,00 %	102,2	263,8	69,53 %	183,4
Total			106,2			190,8
Under development						
Block 47 Yaalen	2,7	50,00%	1,3	6,7	50,00%	3.4
TOTAL						
All fields DNO			107,5			194,2

- 1) All figures represent pre-tax share after royalty. Net figures to DNO include DNO's share of cost oil resulting from carried interest.
- 2) At the Tawke field the working interest share varies over time (reference is made to section 3.4).

Table 2 – Remaining reserves per field as of 31.12.2010 – net entitlement

Reserves 2P (P50 estimate)					
Developed assets					
	Oil Gross (mdbl)	Gas (bcm)	Oil Gross mdbl	Interest %	Net mdbl
Block 32 Tasour	1,7		1,7	41,00 %	0,7
Block 32 Godah	1,3		1,3	41,00 %	0,6
Block 43 Nabrajah	2,1		2,1	66,67 %	1,4
Block 53 Sharyoof	2,4		2,4	32,60 %	0,7
Block 53 Bayoot	4,0		4,0	32,60 %	1,3
Tawke 1)	79,7		79,7	71,08%	56,7
Total					61,4
Under development					
	Oil Gross (mdbl)	Gas (bcm)	Oil Gross Mdbl	Interest %	Net mdbl
Block 47 Yaalen	4,6		4,6	50,00 %	2,3
					Net mdbl
Total all fields					63,7

All figures represent pre-tax share excluding royalty.

The net entitlement reserves in Yemen and Kurdistan region of Iraq are based on economic evaluation of the Production Sharing Agreements/Contracts and include a volume related to the notional tax paid on behalf of the contractors by the Government. The estimates include DNO's share of cost oil resulting from carried interest.

- 1) DNO's share is 56,7 mdbl and includes 100% cost oil to DNO until cumulative gross revenues from the field reach USD 484 million (USD 290 million to DNO), thereafter standard PSC terms apply. The net entitlement share varies over time (reference is made to section 3.4).

Table 3 – Reserve development (working interest)

Million barrels	Developed Assets		Under development (transitional assets)		TOTAL	
	1P/P90	2P/P50	1P/P90	2P/P50	1P/P90	2P/P50
Balance as of 31.12.2009	89,6	149,4	-	-	89,6	149,4
Production	- 6,3	- 6,3	-	-	- 6,3	- 6,3
Revision of previous estimates	+ 22,9	+ 47,8	+ 1,3	+ 3,4	+ 24,2	+ 51,2
Balance as of 31.12.2010	106,2	190,8	1,3	3,4	107,5	194,2

The revision of developed assets is related to a new model simulation for the Tawke field in Kurdistan region of Iraq. Revision of under development assets is related to Yaalen field in Block 47 in Yemen which has been classified as reserves this year (contingent resources last year). Revisions have also been made on all producing fields in Yemen, with no significant effects.

The estimates are DNO's share pre-tax excluding royalty, and include DNO's share of cost oil resulting from carried interest.