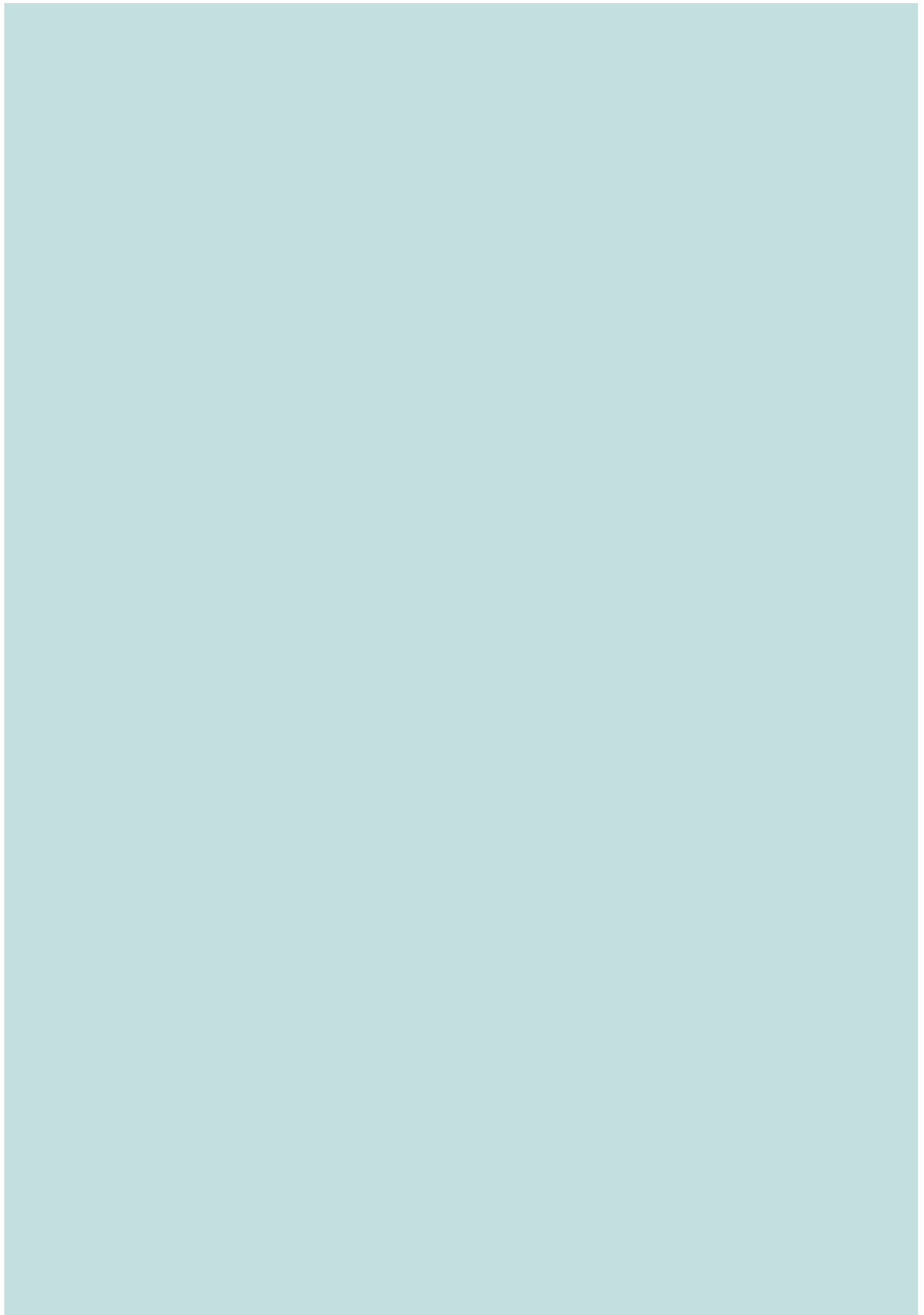




Interim Report

Second Quarter 2015





Key figures

USD million	Quarter		Year to date		Full year	
	Q2 2015	Q2 2014	Q2 2015	Q2 2014	2014	2013
Key financials						
Sales ¹⁾	54.8	143.4	80.8	256.2	452.0	503.0
Gross profit	-10.9	64.5	-46.7	106.2	135.5	294.7
Profit/loss from operating activities	-23.3	54.6	-92.5	84.2	-243.2	67.9
Net profit/loss	-39.9	44.4	-114.1	68.1	-226.1	27.0
EBITDA	12.3	110.4	-20.1	180.1	254.1	348.1
Netback	10.1	100.9	-26.8	160.4	203.6	285.9
Acquisition and development costs	13.3	97.4	48.6	182.7	297.3	288.3
Exploration costs expensed	7.8	4.0	14.7	9.3	50.6	10.3
Key performance indicators²⁾						
Lifting costs (USD/boe)	3.4	3.2	4.4	4.8	4.8	8.0
Netback (USD/boe)	1.1	13.8	-1.7	14.2	8.3	20.8

¹⁾ Sales in 2014 include USD 20.6 million for oil exported from the Tawke field.

²⁾ Key performance indicators include exports from the Tawke field.

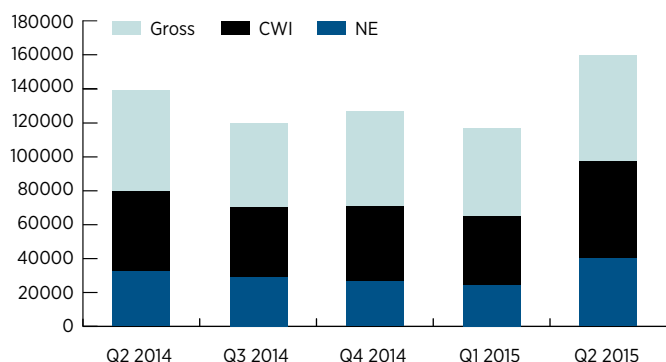
Q2 2015: strong operations metrics

- Record gross production in Q2 2015 of 162,422 barrels of oil equivalent per day (boepd), of which company working interest (CWI) production was 99,613 boepd, up 37 percent from Q1 2015
- In Kurdistan, Tawke field output in Q2 2015 averaged 153,346 barrels of oil per day (bopd), up 46 percent from Q1 2015
- On 31 May 2015, hit new Tawke daily production record of 180,130 barrels of oil
- Tawke remains number one field in Kurdistan in production and 2P reserves
- Delivered 118,037 bopd at Fish Khabur on instruction from the Kurdistan Regional Government for pipeline export through Turkey, up 31 percent from Q1 2015
- Another 31,378 bopd sold into the local market in Q2 2015, up from 8,679 bopd in the previous quarter, with the balance processed in the Tawke refinery
- In Oman, gross production averaged 9,076 boepd, of which CWI production was 4,538 boepd
- Production in Yemen remained suspended due to security conditions

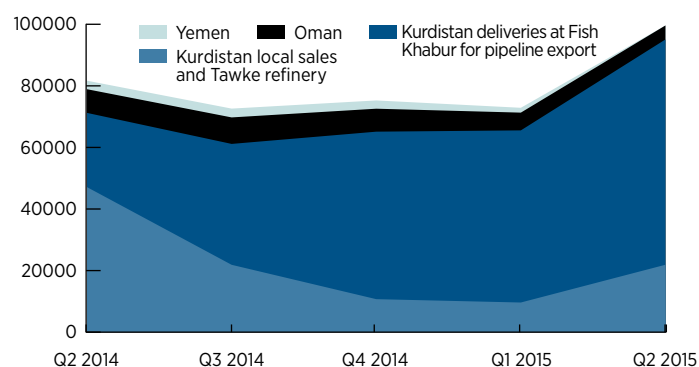
Operational review

Production

Quarterly production



Quarterly CWI production



CWI production during the second quarter averaged 99,613 boepd, compared to 72,873 boepd during the first quarter of 2015. Although volumes were down in Oman and Yemen, production was up considerably from the corresponding period last year, when CWI production stood at 81,669 boepd, due to increased production from the Tawke field in the Kurdistan region of Iraq. In Kurdistan, CWI production totaled 95,075 boepd during the second quarter, up from 65,536 boepd during the first quarter.

In Oman, CWI production totaled 4,538 boepd during the second quarter compared to 5,766 boepd in the previous quarter.

Net entitlement production totaled 39,006 boepd during the second quarter compared to 27,133 boepd in the previous quarter.

Gross production

boepd	Quarter		Year to date		Full year	
	Q2 2015	Q2 2014	Q2 2015	Q2 2014	2014	2013
Kurdistan	153 346	116 112	129 760	86 961	95 011	39 433
Oman	9 076	15 382	10 297	15 289	15 678	21 473
Yemen	-	7 197	1 781	6 658	6 793	9 708
Total	162 422	138 691	141 838	108 908	117 482	70 614

The table reflects gross production from the fields. Kurdistan includes both local sales and exported volumes.

Company working interest (CWI) production

boepd	Quarter		Year to date		Full year	
	Q2 2015	Q2 2014	Q2 2015	Q2 2014	2014	2013
Kurdistan	95 075	71 215	80 392	53 527	58 414	24 527
Oman	4 538	7 691	5 149	7 644	7 839	10 736
Yemen	-	2 764	781	2 635	2 705	3 907
Total	99 613	81 669	86 322	63 806	68 958	39 170

The table reflects DNO's total working interest production including diesel.

Net entitlement production

boepd	Quarter		Year to date		Full year	
	Q2 2015	Q2 2014	Q2 2015	Q2 2014	2014	2013
Kurdistan	36 693	28 182	29 855	23 157	23 746	12 679
Oman	2 312	3 935	2 780	4 194	4 160	5 733
Yemen	-	1 822	460	1 810	1 876	2 543
Total	39 006	33 938	33 095	29 161	29 782	20 956

The table reflects DNO's net entitlement production including diesel. Net entitlement from the exported Tawke crude volumes has been estimated based on the PSC, but the company has not received payments for the full NE production.

Activity overview

Appraisal and field development

Kurdistan region of Iraq

Tawke license

Gross output at the Tawke field averaged 153,346 bopd in the second quarter, including 118,037 bopd delivered by the Kurdistan Regional Government to Ceyhan for export, 31,378 bopd sold into the local market and the balance used in the Tawke refinery. Gross production was up from an average of 104,925 bopd during the first quarter, when 90,172 bopd was delivered for pipeline export and 8,679 bopd was sold into the local market.

The company ramped up Tawke production, export and local sales during the second quarter following successful completion of the expansion in field production capacity to 200,000 bopd.

Additionally, electric submersible pumps (ESPs) have been installed in 15 of 30 Tawke wells to enhance reservoir management and performance. These 15 wells account for 85 percent of total field production. Future development wells and water disposal wells are necessary to sustain production, though the timing and extent of new investments are tied to Tawke revenue streams.

The company is further processing 3D seismic data at the Peshkabir field. Peshkabir is currently estimated to contain over 225 million barrels in gross unrisked prospective resources.

Erbil license

Testing has shown higher volumes of oil-in-place for the Benenan 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 a gross average of 9,076 boepd in the second quarter. A new development well is being considered 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

The company declared force majeure and suspended operations at Block 32 and Block 43. DNO withdrew from the non-operated Block 72 exploration acreage.

Exploration

Oman

At the onshore Block 36, DNO is identifying targets for an exploration well in 2016. The company has withdrawn from Block 30 and Block 31.

Tunisia

An exploration and appraisal program is continuing at the Sfax Offshore Exploration Permit, where a well is planned in 2016. Processing of 3D seismic data is ongoing, with the interpretation and mapping of the acreage expected to be complete by year-end 2015.

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. The government is in the process of creating an oil security force to support seismic acquisitions.

Financial review

Revenues, profits and cash flow

Sales revenue in the second quarter rose to USD 54.8 million compared to USD 26.0 million in the previous quarter. This was mainly due to increased local sales in Kurdistan.

Total revenues from Kurdistan, including local sales, contributed revenues of USD 46.8 million in the second quarter. Revenue from production at Block 8 in Oman amounted to USD 8.0 million. There was no revenue generated in Yemen due to the lack of production during the quarter. DNO reported an operating loss of USD 23.3 million during the second quarter.

The company ended the quarter with USD 450.2 million in cash and USD 22.2 million in marketable securities.

Cost of goods sold

In the second quarter, the cost of goods sold was USD 65.7 million compared to USD 78.9 million in the corresponding period in 2014.

Lifting costs

Lifting costs increased to USD 30.1 million in the second quarter from USD 23.1 million in the same period in 2014. Total and unit lifting costs per country are presented in the accompanying table.

Lifting costs

USD million	Quarter		Year to date		Full year	
	Q2 2015	Q2 2014	Q2 2015	Q2 2014	2014	2013
Kurdistan	20.8	8.7	46.3	23.7	66.5	46.9
Oman	3.4	6.0	8.2	9.8	14.2	19.0
Yemen	5.9	8.3	13.7	20.3	37.2	44.7
Total	30.1	23.1	68.2	53.8	117.9	110.6

Including export volumes

USD/boe	Quarter		Year to date		Full year	
	Q2 2015	Q2 2014	Q2 2015	Q2 2014	2014	2013
Kurdistan	2.4	1.4	3.2	2.5	3.1	5.3
Oman	9.8	9.6	10.4	7.9	5.5	5.2
Yemen	-	37.2	137.6	47.3	42.0	33.7
Average	3.4	3.3	4.4	4.9	4.8	8.0

Depreciation, depletion and amortization (DD&A)

DD&A amounted to USD 34.0 million in the second quarter compared to USD 55.5 million in the corresponding period in 2014.

DD&A

USD million	Quarter		Year to date		Full year	
	Q2 2015	Q2 2014	Q2 2015	Q2 2014	2014	2013
Kurdistan	30.6	35.4	48.5	51.4	112.7	35.5
Oman	3.4	16.0	8.1	36.0	67.3	41.0
Yemen	-	4.0	0.3	8.1	16.6	20.2
Total	34.0	55.5	56.8	95.5	196.5	96.8

Including export volumes

USD/boe	Quarter		Year to date		Full year	
	Q2 2015	Q2 2014	Q2 2015	Q2 2014	2014	2013
Kurdistan	9.2	13.8	9.0	13.7	13.9	7.7
Oman	16.1	44.8	16.1	47.4	44.3	19.6
Yemen	-	27.6	3.6	27.6	27.2	23.7
Average	9.6	18.1	9.6	19.0	18.2	12.8

Exploration costs expensed

Expensed exploration costs of USD 7.8 million in the second quarter were mainly related to activities in Tunisia.

Exploration costs expensed

USD million	Quarter		Year to date		Full year	
	Q2 2015	Q2 2014	Q2 2015	Q2 2014	2014	2013
Kurdistan	-	0.1	-	0.2	0.2	0.4
Oman	1.3	1.0	2.8	2.2	14.6	1.6
Yemen	0.2	0.1	5.3	-0.1	6.4	0.6
UAE	0.3	0.2	0.5	0.3	0.7	0.4
Tunisia	5.9	2.4	5.9	5.0	28.0	6.3
Other	0.1	0.2	0.2	1.6	0.6	0.8
Total	7.8	4.0	14.7	9.3	50.6	10.3

Acquisition and development costs

(including intangible assets)

Capital expenditures in the second quarter totaled USD 13.3 million compared to USD 97.4 million in the corresponding period in 2014.

Acquisition and development costs

USD million	Quarter		Year to date		Full year	
	Q2 2015	Q2 2014	Q2 2015	Q2 2014	2014	2013
Kurdistan	12.3	96.5	45.4	155.5	254.6	167.8
Oman	0.4	1.2	0.4	15.3	18.6	31.7
Yemen	-	-1.7	0.5	4.3	7.8	26.7
UAE	0.2	-0.2	0.4	-0.5	-0.3	59.9
Tunisia	0.1	0.5	0.1	6.5	7.0	-
Other	0.3	1.1	1.9	1.7	9.6	2.2
Total	13.3	97.4	48.6	182.7	297.3	288.3

Responsibility statement

We confirm to the best of our knowledge that the condensed set of financial statements for the period 1 January to 30 June 2015 has been prepared in accordance with IAS 34 Interim Financial Reporting and gives a fair view of DNO's and the Group's assets, liabilities, financial position and result for the period viewed in their entirety,

and that the interim management report includes a fair review of any significant events that arose during the six-month period and their effect on the half-yearly financial report, any significant related parties' transactions, and a description of the significant risks and uncertainties for the remaining six months of the year.

Oslo, 20 August 2015

Bijan Mossavar-Rahmani
Executive Chairman

Lars A. Takla
Deputy Chairman

Elin Karfjell
Director

Gunnar Hirsti
Director

Shelley Watson
Director

Bjørn Dale
Managing Director

Consolidated statements of comprehensive income

USD million	Note	Quarter		Year to date		Full year 2014
		Q2 2015	Q2 2014	Q2 2015	Q2 2014	
Sales	2,3	54.8	143.4	80.8	256.2	452.0
Cost of goods sold	4	-65.7	-78.9	-127.5	-150.0	-316.5
Gross profit		-10.9	64.5	-46.7	106.2	135.5
Other operating income		0.8	2.5	0.9	2.6	2.6
Tariffs and transportation		-0.1	-1.0	-0.7	-1.3	-4.2
Administrative expense/Other operating expenses		-5.4	-7.4	-18.1	-14.4	-30.2
Impairment oil and gas assets	7	-	-	-13.2	-	-296.7
Exploration costs expensed	5	-7.8	-4.0	-14.7	-9.3	-50.6
Net gain/loss from sale of PP&E	7	-	-	-	0.4	0.4
Profit/-loss from operating activities		-23.3	54.6	-92.5	84.2	-243.2
Financial income		4.1	3.7	11.9	6.3	21.5
Financial expenses		-20.0	-11.6	-31.7	-17.8	-30.1
Profit/-loss before income tax		-39.2	46.6	-112.4	72.8	-251.8
Income tax expense	6	-0.7	-2.2	-1.7	-4.7	25.8
Net profit/-loss		-39.9	44.4	-114.1	68.1	-226.1
Other comprehensive income						
Currency translation differences		-0.8	-0.2	-0.5	-0.2	0.4
Fair value changes available-for-sale financial assets		-	0.6	-	6.4	-
Other comprehensive income that may be reclassified to profit or loss in subsequent periods		-0.8	0.4	-0.5	6.2	0.4
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods		-	-	-	-	-
Total other comprehensive income, net of tax		-0.8	0.4	-0.5	6.2	0.4
Total comprehensive income, net of tax		-40.7	44.8	-114.6	74.3	-225.7
Net profit/-loss attributable to:						
Equity holders of the parent		-39.9	44.4	-114.1	68.1	-226.1
Total comprehensive income attributable to:						
Equity holders of the parent		-40.7	44.8	-114.6	74.3	-225.7
Earnings per share, basic		-0.04	0.04	-0.11	0.07	-0.23
Earnings per share, diluted		-0.04	0.04	-0.11	0.07	-0.23

Condensed consolidated statements of financial position

ASSETS				
USD million	Note	Quarter		Full year
		Q2 2015	Q2 2014	2014
Non-current assets				
Deferred income tax assets	6	-	7.7	3.3
Other intangible assets	7	141.8	160.3	150.5
Property, plant and equipment	7	510.6	809.3	528.9
Available for sale investments	8	22.2	53.5	35.0
Other non-current assets		4.6	5.1	4.8
Total non-current assets		679.2	1,035.9	722.5
Current assets				
Inventories	4	69.0	66.3	77.7
Trade and other receivables		188.2	126.0	187.3
Cash and cash equivalents		450.2	195.1	113.8
Total current assets		707.4	387.5	378.8
TOTAL ASSETS		1,386.6	1,423.3	1,101.3
EQUITY AND LIABILITIES				
USD million	Note	Quarter		Full year
		Q2 2015	Q2 2014	2014
Equity				
Share capital		36.0	33.6	33.6
Other reserves		290.3	180.9	175.1
Retained earnings		210.0	618.3	324.1
Total equity		536.3	832.8	532.8
Non-current liabilities				
Interest-bearing liabilities	9	344.7	229.8	214.7
Deferred income tax liabilities	6	27.8	87.6	34.4
Provisions for other liabilities and charges	10	98.1	115.8	100.1
Total non-current liabilities		470.6	433.2	349.2
Current liabilities				
Trade and other payables		121.0	63.1	139.7
Income taxes payable		0.3	14.5	1.9
Current interest-bearing liabilities	9	180.9	-	-
Provisions for other liabilities and charges	10	77.4	79.7	77.6
Total current liabilities		379.6	157.4	219.2
TOTAL EQUITY AND LIABILITIES		1,386.6	1,423.3	1,101.3

Condensed consolidated cash flow statements

USD million	Note	Quarter		Year to date		Full year 2014
		Q2 2015	Q2 2014	Q2 2015	Q2 2014	
Operating activities						
Profit/-loss before income tax		-39.2	46.6	-112.4	72.8	-251.8
Adjustments to add (deduct) non-cash items:						
+/- Net interest expense (-income)		6.1	10.8	6.8	12.7	12.6
Previously capitalized exploration and evaluation expenses	5	-	-	5.1	-	5.9
Depreciation of PP&E	4	35.6	55.9	59.3	96.2	198.5
Impairment loss/Reversal of impairment on PP&E	7	-	-	13.2	-	296.7
Gain/loss on PP&E	7	-	-	-	-0.4	-0.4
Gain/loss on shares		-	-	-	-	-
Impairment/Reversal of impairment of financial assets		5.6	-	12.8	-	14.8
Other *		3.0	3.7	-1.3	18.3	-4.2
Changes in working capital:						
- Inventories		-5.2	-10.3	6.8	-15.5	-26.9
- Trade and other receivables		-12.9	-23.7	-0.6	-14.7	-75.7
- Trade and other payables		-35.9	-13.2	-18.7	6.6	83.1
- Provisions for other liabilities and charges		-1.7	2.1	-0.2	0.1	-2.0
Cash generated from operations		-44.5	71.7	-29.2	176.1	250.5
Income taxes paid		-2.2	-9.5	-6.7	-19.6	-50.5
Interest paid		-5.2	-4.8	-9.6	-9.9	-18.6
Net cash from operating activities		-52.0	57.5	-45.6	146.6	181.4
Investing activities						
Purchases of intangible assets	7	-	1.1	0.1	-5.0	-6.6
Proceeds from sale of intangible assets		-	-	-	0.3	0.3
Purchases of tangible assets	7	-13.3	-98.4	-48.7	-177.7	-290.7
Proceeds from sale of tangible assets		-	-	-	0.5	0.9
Purchases of available-for-sale financial assets		-	-7.8	-	-36.3	-38.9
Proceeds from sale of available-for-sale financial assets		-	-	-	-	-
Interest received		0.6	0.1	0.8	0.2	0.4
Net cash used in/from investing activities		-12.7	-105.0	-47.8	-217.9	-334.5
Financing activities						
Proceeds from borrowings		344.4	-	344.4	-	-
Repayment of borrowings		-33.4	-	-33.4	-	-
Purchase of treasury shares, including options		-	-	-	-	-
Proceeds from sale of treasury shares		-	-	21.4	-	-
Proceeds from issuance of shares		-	-	96.9	-	-
Net cash used in/from financing activities		311.0	-	429.3	-	-
Net increase/-decrease in cash and cash equivalents		246.3	-47.5	335.8	-71.4	-153.1
Cash and cash equivalents at beginning of the period		203.6	242.2	113.8	265.9	265.9
Exchange gain/-losses on cash and cash equivalents		0.4	0.5	0.6	0.5	1.0
Cash and cash equivalents at end of the period		450.2	195.1	450.2	195.1	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	-	6.4	-	6.4
Currency translation differences	-	-0.2	-	-0.2
Other comprehensive income/-loss	-	6.2	-	6.2
Profit for the period	-	-	68.1	68.1
Total comprehensive income	-	6.2	68.1	74.3
Issue of share capital	-	-	-	-
Purchase of treasury shares	-	-	-	-
Sale of treasury shares	-	-	-	-
	-	-	-	-
Balance at 30 June 2014	33.6	180.9	618.3	832.8

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	-	-0.5	-	-0.5
Other comprehensive income/-loss	-	-0.5	-	-0.5
Loss for the period	-	-	-114.1	-114.1
Total comprehensive income	-	-0.5	-114.1	-114.6
Issue of share capital	1.9	95.0	-	96.9
Purchase of treasury shares	-	-	-	-
Sale of treasury shares	0.6	20.8	-	21.4
	2.4	115.8	-	118.2
Balance at 30 June 2015	36.0	290.3	210.0	536.3

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 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 exemption:

* All derivatives, 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 5 operating segments; Kurdistan (KUR), Oman (OMAN), Yemen (YEM), Ras Al Khaimah (UAE) and Tunisia (TUN). The operating segments equal the reportable segments.

Three months ending 30 June 2015 USD million	Note	KUR	OMAN	YEM	UAE	TUN	OTHER	Total report. segm.	Unalloc./ elimin.	GROUP
Income statement information										
External sales	3	46.8	8.0	-	-	-	-	54.8	-	54.8
Inter-segment sales		0.5	1.6	0.3	0.1	0.3	-	2.7	-2.7	-
Cost of goods sold	4	-51.5	-6.8	-5.9	-	-0.1	-	-64.3	-1.4	-65.7
Gross profit		-4.3	2.9	-5.6	0.1	0.3	-	-6.8	-4.1	-10.9
Segment operating result		-4.4	-0.5	-6.8	-0.3	-5.6	-0.1	-17.7	-15.5	-33.2
Interest - net										-6.1
Gain/loss on sale of shares										-
Income tax expense		-	-0.8	-	-	-	-	-0.7	-	-0.7
Net profit/loss										-39.9
Segment assets		780.6	176.4	7.4	4.0	83.6	1.0	1,052.9	337.7	1,386.6

Note 2 | Segment information continues

Three months ending 30 June 2014 USD million	Note	KUR	OMAN	YEM	UAE	TUN	OTHER	Total report. segm.	Unalloc./ elimin.	GROUP
Income statement information										
External sales	3	103.1	23.7	16.6	-	-	-	143.4	-	143.4
Inter-segment sales		1.0	2.0	0.2	0.1	0.3	0.1	3.8	-3.8	-
Cost of goods sold	4	-44.2	-22.1	-12.4	-	-	-	-78.7	-0.2	-78.9
Gross profit		59.9	3.7	4.4	0.1	0.3	0.1	68.5	-4.0	64.5
Segment operating result		57.2	0.9	2.3	2.1	-2.2	-1.1	59.2	-1.8	57.4
Interest - net										-10.8
Gain/loss on sale of shares										-
Income tax expense		-	-1.0	-1.2	-	-	-	-2.2	-	-2.2
Net profit/loss										44.4
Segment assets		827.9	172.0	114.9	48.2	45.1	1.0	1,209.1	214.2	1,423.3

Six months ending 30 June 2015 USD million	Note	KUR	OMAN	YEM	UAE	TUN	OTHER	Total report. segm.	Unalloc./ elimin.	GROUP
Income statement information										
External sales	3	60.3	17.4	3.2	-	-	-	80.8	-	80.8
Inter-segment sales		1.4	3.9	0.7	0.1	0.3	-	6.3	-6.3	-
Cost of goods sold	4	-95.1	-16.4	-13.9	-	-0.1	-	-125.5	-2.0	-127.5
Gross profit		-33.4	4.9	-10.1	0.1	0.2	-	-38.3	-8.3	-46.7
Segment operating result		-44.5	-1.9	-38.7	-0.5	-5.8	-0.2	-91.7	-23.6	-115.4
Interest - net										3.0
Gain/loss on sale of shares										-
Income tax expense		-	-0.6	-1.2	-	-	-	-1.7	-	-1.7
Net profit/loss										-114.1
Segment assets		780.6	176.4	7.4	4.0	83.6	1.0	1,052.9	337.7	1,386.6

Six months ending 30 June 2014 USD million	Note	KUR	OMAN	YEM	UAE	TUN	OTHER	Total report. segm.	Unalloc./ elimin.	GROUP
Income statement information										
External sales	3	171.8	51.7	32.7	-	-	-	256.2	-	256.2
Inter-segment sales		1.7	4.3	0.8	0.2	0.3	0.3	7.6	-7.6	-
Cost of goods sold	4	-75.3	-45.8	-28.4	-	-	-	-149.6	-0.4	-150.0
Gross profit		98.2	10.2	5.0	0.2	0.3	0.3	114.2	-8.0	106.2
Segment operating result		92.5	4.4	1.3	1.9	-4.8	-2.4	93.0	-7.5	85.5
Interest - net										-12.7
Gain/loss on sale of shares										-
Income tax expense		-	-3.4	-1.3	-	-	-	-4.7	-	-4.7
Net profit/loss										68.1
Segment assets		827.9	172.0	114.9	48.2	45.1	1.0	1,209.1	214.2	1,423.3

Note 3 | Sales

DNO's operations governed by Production Sharing Agreements/Production Sharing Contracts (PSA/PSC) are reported according to the net entitlement method.

USD million	Quarter		Year to date		Full year
	Q2 2015	Q2 2014	Q2 2015	Q2 2014	2014
Sale of petroleum products	54.8	143.4	80.8	256.2	452.0
Total sales	54.8	143.4	80.8	256.2	452.0

In December 2014 the Kurdistan Regional Government made a partial payment of USD 20.6 million to DNO for oil exported from the Tawke field. According to DNO's accounting policies on revenue recognition, this amount was recorded as revenue in 2014.

There has been a combination of export and local sales from the Tawke field in the second quarter. Export revenues are not recognized until receipt of payment, meaning that DNO's contractual share of gross export deliveries from Tawke of 10.7 million barrels in Q2 is not reflected in the revenues.

Note 4 | Cost of goods sold/inventory

USD million	Quarter		Year to date		Full year
	Q2 2015	Q2 2014	Q2 2015	Q2 2014	2014
Lifting costs*	-30.1	-23.1	-68.2	-53.8	-117.9
Depreciation, depletion and amortization	-35.6	-55.9	-59.5	-96.2	-198.5
Other cost of goods sold	-	-	-	-	-0.2
Total cost of goods sold	-65.7	-78.9	-127.5	-150.0	-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	Quarter		Full year
	Q2 2015	Q2 2014	2014
Spare parts	56.8	54.1	65.5
Other inventory	12.2	12.2	12.2
Total inventory	69.0	66.3	77.7

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

Note 5 | Exploration costs

USD million	Quarter		Year to date		Full year
	Q2 2015	Q2 2014	Q2 2015	Q2 2014	2014
Exploration expenses (G&G and field surveys)	-2.3	-2.2	-4.2	-5.3	-12.9
Seismic costs	-	-	-0.5	-0.2	-14.8
Exploration costs capitalized in previous years carried to cost	-	-	-5.1	-	-5.9
Exploration costs capitalized this year carried to cost	-3.7	-	-1.9	0.1	-10.3
Other exploration costs expensed	-1.8	-1.8	-3.0	-3.9	-6.7
Total exploration costs expensed *	-7.8	-4.0	-14.7	-9.3	-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		Year to date		Full year 2014
	Q2 2015	Q2 2014	Q2 2015	Q2 2014	
Deferred taxes	1.7	9.0	3.4	13.8	62.6
Income taxes payable related to Production Sharing Agreements (PSAs) in Yemen and Oman	-2.5	-11.2	-5.1	-18.6	-36.8
Total income tax expense	-0.7	-2.2	-1.7	-4.7	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 the Kurdistan region of Iraq 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		Year to date		Full year 2014
	Q2 2015	Q2 2014	Q2 2015	Q2 2014	
Acquisitions of PP&E *	13.3	98.4	48.7	177.7	290.6
Acquisitions of Intangible assets **	-	-1.1	-0.1	5.0	6.6
Net book amount PP&E	510.6	809.3	510.6	809.3	528.9
Net book amount Intangible assets	141.8	160.3	141.8	160.3	150.5
<i>Sale of PP&E</i>					
Proceeds	-	-	-	0.8	1.2
Carrying value	-	-	-	0.4	0.8
Net gain/-loss	-	-	-	0.4	0.4
Impairment of PP&E	-	-	13.2	-	296.7

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

** Acquisitions related to capitalized exploration costs and license interests

Impairment charge of USD 13.2 million is related to assets in Yemen and was expensed in Q1 2015.
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. Impairments will be charged to profit or loss, while reversal of impairments will be accounted for in other comprehensive income.

USD million	Quarter		Year to date		Full year
	Q2 2015	Q2 2014	Q2 2015	Q2 2014	2014
Beginning of the period	27.8	45.2	35.0	10.8	10.8
Additions	-	7.8	-	36.3	38.9
Sales	-	-	-	-	-
Revaluation surplus/deficit transfer to equity	-	0.6	-	6.4	-
Impairment	-5.6	-	-12.8	-	-14.8
Exchange differences	-	-	-	-	-
End of the period ¹⁾	22.2	53.5	22.2	53.5	35.0
Non-current portion	22.2	53.5	22.2	53.5	35.0
Current portion	-	-	-	-	-

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

USD million	Quarter		Full year
	Q2 2015	Q2 2014	2014
Listed securities:			
- RAK Petroleum plc	22.2	53.5	35.0
Total available-for-sale financial assets	22.2	53.5	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 in 2014 due to lower market value. An impairment of USD 7.1 million was recorded in Q1 2015 and an impairment of USD 5.6 million has been recorded in Q2 2015 due to further decline in market value.

Note 9 | Interest-bearing liabilities

USD million	Quarter		Full year 2014
	Q2 2015	Q2 2014	
Non-current			
Bonds	400.0	231.0	215.3
Capitalized borrowing issue costs	-55.3	-1.3	-0.6
Total non-current interest-bearing liabilities	344.7	229.8	214.7
Current			
Current portion of bonds	180.9	-	-
Total current interest-bearing liabilities	180.9	-	-
Total interest-bearing liabilities	525.6	229.8	214.7

Interest-bearing liabilities:

USD million	Currency	Amount	Interest	Maturity	Balance	
					Q2 2015	Q1 2015
Non-current						
Bond loan (ISIN NO0010606197)	USD	400.0	8.75%	18.06.20	400.0	-
Borrowing issue costs					-55.3	-0.5
Current						
Bond loan (ISIN NO0010606197)	NOK	421.0	Nibor + 7.5%	11.04.16	54.4	69.2
Bond loan (ISIN NO0010606189)	USD	124.6	Libor + 7.5%	11.04.16	126.5	140.0
Total interest-bearing liabilities					525.6	208.7

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 24 June, DNO exercised its option to call all outstanding bonds (DNO13 and DNO14) at a redemption price of 101.5 percent of par value with settlement on 6 August. These bonds have been classified as current liabilities in the Q2 financial statements and include the call premium amounts.

Note 10 | Provisions for other liabilities and charges

USD million	Quarter		Full year 2014
	Q2 2015	Q2 2014	
Non-current			
Asset retirement obligations	4.8	14.2	3.7
Other long-term obligations	93.4	101.6	96.3
Total non-current provisions for other liabilities and charges	98.1	115.8	100.1
Current			
Other provisions and charges	77.4	79.7	77.6
Total current provisions for other liabilities and charges	77.4	79.7	77.6
Total provisions for other liabilities and charges	175.6	195.5	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. The WPP liability will not be payable until a payment mechanism is in place and proceeds from 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 30 June 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

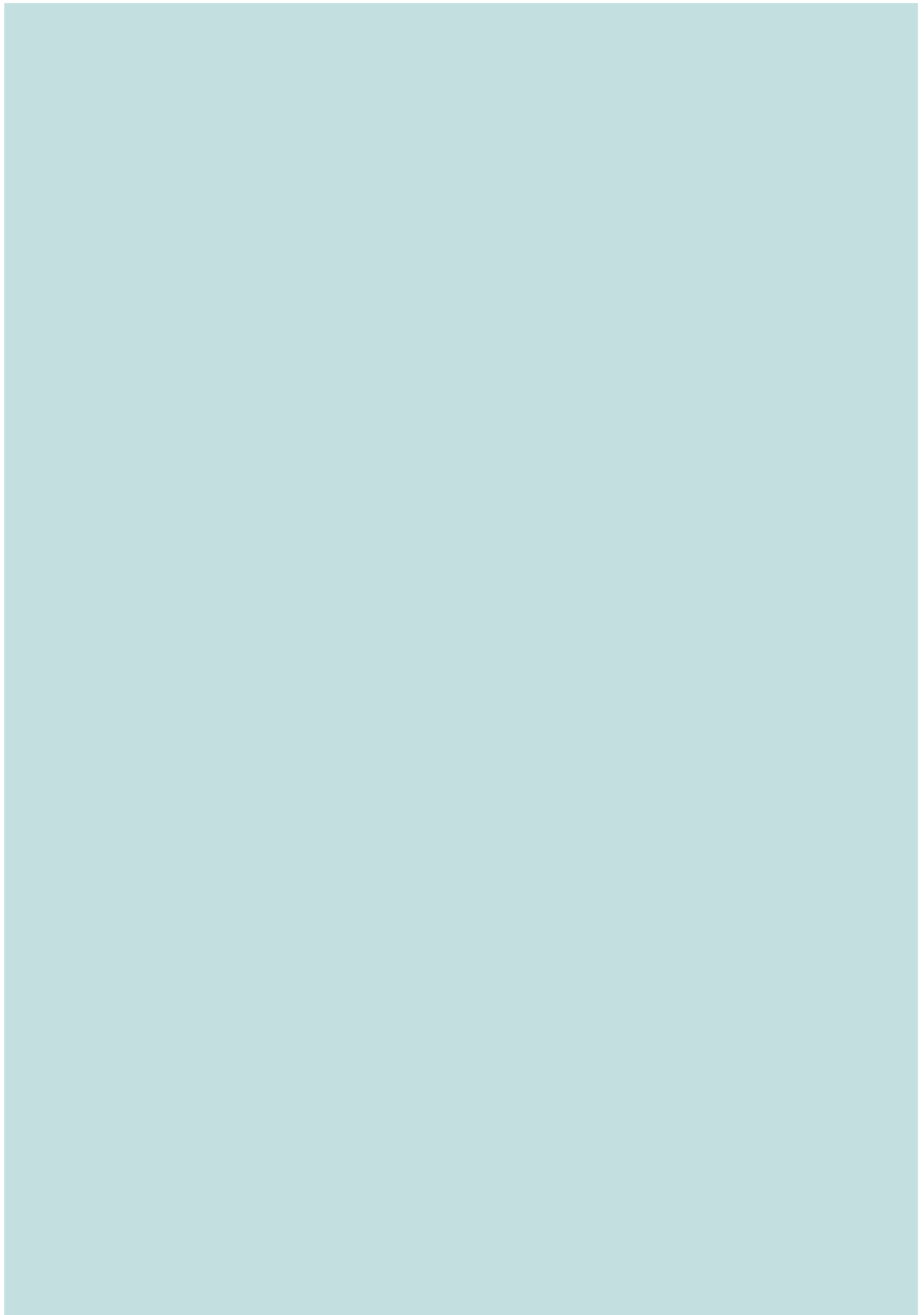
Settlement of bonds

On 7 August 2015, DNO made a settlement of 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.

Farm-out Tunisia

On 12 August 2015, DNO ASA received the final approval from Tunisian authorities of the farm-out agreement with Petrogas E&P Tunisia BV, on Sfax Offshore Exploration Permit in Tunisia.

Completion of the farm-out is expected to take place during the third quarter of 2015.



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