Interim Report 2013
Second Quarter

Photo: Hans Fredrik Asbjørnsen

Q2 2013 and year-to-date highlights

- Net profit of NOK 280 million on operating revenue of NOK 764 million
- Company working interest (CWI) production of 38,720 boepd (increased from 29,061 boepd in Q1); YTD production of 33,917 boepd CWI
- Expanded exploration and appraisal portfolio with four new blocks
- Strong financial position and robust capital structure (free cash balance of NOK 1.65 billion, net cash of NOK 257 million)

Key figures

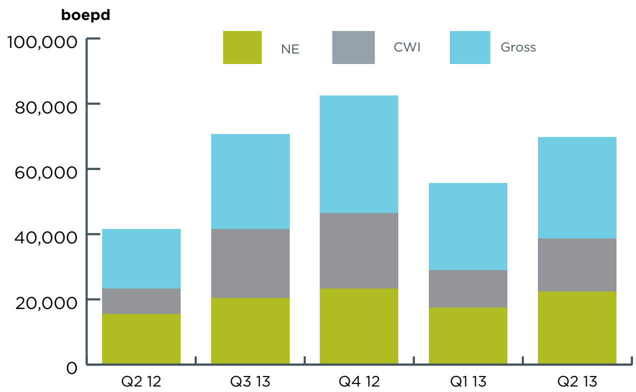
	Quarter		Year-to-date		Full year
NOK million	**Q2 2013**	**Q2 2012**	**Q2 2013**	**Q2 2012**	**2012**
Key financials					
Sales [1]	763.7	155.4	1,345.1	866.9	2,841.8
Gross profit	431.6	-76.9	731.9	374.3	1,629.2
Profit/-loss from operating activities	367.0	-140.4	632.2	283.8	1,416.9
Net profit/-loss	280.0	-176.2	449.2	131.1	1,039.6
EBITDA	512.7	-33.9	915.5	530.6	2,059.9
Netback	433.1	-105.1	745.4	407.9	1,900.3
Acquisition and development costs	465.5	264.0	833.5	474.4	1,147.3
Exploration costs expensed	14.3	19.0	25.1	33.5	78.0
Key performance indicators [2]					
Lifting costs (USD/boe)	9.35	10.39	9.69	7.26	7.48
Netback (USD/boe)	21.71	-8.67	21.90	12.04	23.84

[1] Sales include USD 116 million in Q4 2012 related to export volumes from the Tawke field.
[2] Key performance indicators include export volumes from the Tawke field.

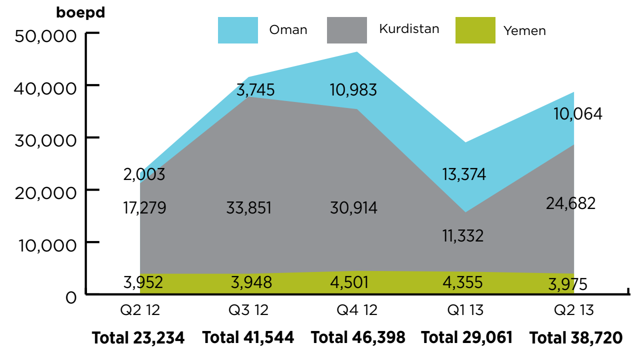
Operational review

Production

Quarterly production



Quarterly production per country (CWI)



CWI production during the second quarter averaged 38,720 boepd (69,705 boepd gross). The increase in volumes compared to the previous quarter (29,061 boepd CWI) and corresponding period last year (23,234 boepd) is primarily due to increased domestic offtake of Tawke oil production in the Kurdistan region of Iraq.

CWI production at the Tawke field increased to 24,682 bopd during the second quarter (39,681 bopd gross) from 11,332 bopd (18,218 bopd gross) in the previous quarter, and 17,279 bopd (27,779 bopd gross) during the corresponding period in 2012.

In Oman, CWI production from Block 8 was 10,064 boepd (20,126 boepd gross) during the second quarter compared to 13,374 boepd (26,748 boepd gross) in the previous quarter and 2,003 boepd (4,007 boepd gross) during the corresponding period in 2012.

Production at the Company's assets in Yemen has remained consistent with the Company's expectations at 3,975 bopd CWI (9,898 bopd gross).

Net entitlement production during the second quarter was 22,332 boepd. The increase in net entitlement volumes compared to the previous quarter (17,435 boepd) and corresponding period in 2012 (15,458 boepd) is primarily due to the increased domestic offtake of Tawke oil production in Kurdistan.

Year-to-date CWI and net entitlement production has remained flat year-on-year at 33,917 boepd and 19,897 boepd respectively.

Gross production

	Quarter		Year-to-date		Full year
boepd	Q2 2013	Q2 2012	Q2 2013	Q2 2012	2012
Kurdistan	39,681	27,779	29,009	39,364	45,477
Oman	20,126	4,007	23,419	8,216	11,490
Yemen	9,898	9,835	10,283	10,184	10,271
Total	**69,705**	**41,621**	**62,711**	**57,764**	**67,238**

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

Company Working Interest (CWI) production

	Quarter		Year-to-date		Full year
boepd	Q2 2013	Q2 2012	Q2 2013	Q2 2012	2012
Kurdistan	24,682	17,279	18,044	24,507	28,466
Oman	10,064	2,003	11,710	4,108	5,745
Yemen	3,975	3,952	4,164	4,061	4,143
Total	**38,720**	**23,234**	**33,917**	**32,675**	**38,354**

The table above reflects DNO's total working interest production including diesel. Kurdistan includes both local sales and exported volumes.

Net entitlement production

	Quarter		Year-to-date		Full year
boepd	Q2 2013	Q2 2012	Q2 2013	Q2 2012	2012
Kurdistan	14,429	12,472	10,851	15,072	14,563
Oman	5,285	700	6,437	1,925	3,628
Yemen	2,617	2,286	2,609	2,461	2,442
Total	**22,332**	**15,458**	**19,897**	**19,458**	**20,633**

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

Portfolio growth

In the second quarter and year-to-date DNO has continued with high levels of drilling activity and materially grown its exploration and appraisal portfolio. During the second quarter the Company added two new blocks in Tunisia and Somaliland. Post period the Company added one block each in Oman and Yemen. The Company's overall portfolio now stands at 20 assets in six countries. As at the reporting date, the Company had five drilling rigs actively engaged – three in the Kurdistan region of Iraq, one in Yemen and one offshore Ras Al Khaimah.

Appraisal and field development

KURDISTAN REGION OF IRAQ

Tawke license

On 23 May, DNO achieved a significant operational milestone by producing over 100,000 bopd at the Tawke field after conducting well and pipeline delivery tests over a 72 hour period. Final commissioning of two additional export pumps and new control equipment was also completed during the test period, and work has been initiated on the installation of additional in-field flowlines to accommodate new production wells as the Company continues to work towards doubling production capacity at the field to 200,000 bopd.

Having completed drilling operations at the horizontal Tawke-20 production well in the first quarter, the Company commenced a test program at the well during the second quarter and recorded an average daily rate of 8,000 bopd from each of the ten fractured corridors that were penetrated by the well. Following completion of testing, the Tawke-20 well was placed on production at a rate of 25,000 bopd in July, subject to wellbore and surface facilities limitations. This represents a record rate from a single well at the Tawke field, the most productive vertical well drilled to date flowing at an average historical rate of 10,000 bopd. The Company is now assessing the potential of horizontal wells at the field in terms of drilling efficiency, well recovery factor and overall field output capacity.

Drilling operations are concluding at a second horizontal well, Tawke-23, after which the Company will commence an extensive test program. Drilling operations have commenced at a third horizontal well, Tawke-21.

The Company submitted a Discovery Notice and Declaration of Commerciality to the Kurdistan Regional Government (KRG) in relation to the Peshkabir discovery during 2012, and intends to file a field development plan (FDP) during the fourth quarter of 2013.

Dohuk license

At the Summail gas discovery, a fast-track development has been launched to supply gas to the Dohuk Power Plant. Next steps in the third quarter comprise the re-entry and completion of the Summail-1 well. First gas from Summail-1 is planned in January 2014. Drilling of the Summail-2 well is scheduled to commence in the fourth quarter and drilling of the Summail-3 well is scheduled for 2014.

Erbil license

Having been drilled to a total depth of 3,178 meters in late 2012 as a horizontal appraisal well in the Cretaceous Najmeh formation, the Benenan-3 well then encountered moveable oil in the Bekhme formation and proved an additional 210 meter oil column in the Lower Najmeh reservoir. Preparations are continuing to flow the well from multiple zones. The Company has also commenced drilling of the Benenan-4 well in order to further appraise the Najmeh reservoir at a different location in the Benenan oil discovery.

At the Bastora oil discovery, the Bastora-2 well has successfully encountered oil in the target Qamchuqa reservoir and preparations are underway to initiate a comprehensive well test program. A full technical and commercial evaluation has also been completed for the proposed construction and installation of an early production facility, pending results from the test program. Following completion of the Bastora-2 test program, the Company plans to drill the Bastora-2A side-track well as a horizontal producer targeting the Bekhme formation.

Longer term, the Company has initiated a FEED study in order to establish and optimize the full field development options and requirements for the Bastora and Benenan discoveries.

OMAN

During the second quarter the West Bukha-5 and West Bukha-3 well interventions were undertaken and completed. The Wasia reservoir interval in the West Bukha-5 well was perforated and successfully stimulated with good rates achieved. Following perforation and acid treatment, the West Bukha-3 well intervention was found to have insufficient pressure to flow across the test vessel. The well is being monitored with the intention of attempting to flow the well at a later date should pressures increase sufficiently.

Reprocessing of West Bukha 3D seismic data remains on schedule for completion in December and a review of the reservoir model is underway to evaluate possible new drilling targets and additional exploration opportunities in Block 8.

RAS AL KHAIMAH

Spudded in April, the Saleh-8 well has been drilled through the depleted upper reservoirs of the Saleh field and has reached its planned total depth in the previously undeveloped Thamama gas condensate reservoir. The objective of the well is to establish early production via existing facilities from the Thamama reservoir by year-end, with produced volumes treated at RAK Gas' onshore processing facility. Following completion and testing of the Saleh-8 well, the Company will consider future drilling options that could include a second well in the Saleh field or an initial well on the nearby RAK B oil discovery.

YEMEN

At Block 47, the Company expects to commence production from the Yaalen field from one well in early 2014. Following production start up the Company will gather well, reservoir and fluid properties data in order to assist in subsequent development activities that include testing of the Yaalen-5 well and drilling of the Yaalen-4S side-track well.

At Block 43, the Nabrajah-9S3 appraisal well has been drilled as a side-track from the previously drilled Nabrajah-9 production well and targeted the deeper Shuqra and Basement formation intervals in the south west area of the field. The side-track has also served as a pilot well for a planned horizontal production well, targeting the Shuqra formation, to be drilled later in the year.

At Block 32, the Godah-13 production well was spudded on 23 May and targeted the Qishn reservoir. The well was completed and brought onstream on 19 June.

TUNISIA

On 10 June, the Company announced it had entered into a farm-out agreement with respect of the Sfax Offshore Exploration Permit and the Ras El Besh Concession. The agreement contemplates the transfer of an 87.5 percent participating interest (100 percent paying) in the permit and the concession from Atlas Petroleum Exploration Worldwide Inc. and Eurogas International Ltd. DNO will assume operatorship and a pro rata share of the existing cost oil pool. Completion of the transfer is subject to satisfaction of certain conditions, including approval by Tunisian authorities.

The Sfax Offshore Exploration Permit and the Ras El Besh Concession are located in the prolific Gulf of Gabes and cover 3,296 km^2, mostly offshore in shallow waters. To date, three discoveries have been made with combined gross recoverable contingent resources of between 35 million to 60 million barrels of oil. These assets also offer significant exploration potential with 29 identified prospects that in aggregate are estimated to contain between 500 million to 700 million barrels of oil of gross unrisked prospective resources. The initial work plan includes the drilling of two exploration/appraisal wells in 2014, one on the Salloum discovery and one on the Jawhara discovery.

Exploration

KURDISTAN REGION OF IRAQ

Tawke license
Having announced a new Jurassic oil discovery with the Tawke-17 exploration well in June, a well test program was undertaken that confirmed oil reservoir in the Jurassic. The Sargelu reservoir interval flowed 1,500 bopd of 26° to 28° API crude oil. Triassic zones that were tested proved to be either tight or water bearing. The Company is now planning future data acquisition ahead of drilling an appraisal well.

OMAN

In early July the Company entered into a farm-in agreement with Allied Petroleum Exploration Inc. that provides for DNO to assume a 75 percent participating interest (100 percent paying) and operatorship of Block 36 onshore Oman. Block 36 is located in the prolific Rub Al Khali basin and covers a surface area of approximately 18,000 km^2. Two exploration wells previously drilled on the block have confirmed the presence of source rock in the basal Silurian hot shale, an organic rich shale that has sourced the majority of the oil and gas fields discovered in the Arabian Peninsula and north Africa. Multiple stacked reservoir units have also been identified and mapped on the existing seismic data comprising 10,000 km of 2D seismic complemented by high resolution gravity and aeromagnetic surveys. Technical work undertaken to date suggests potential lead sizes in excess of 100 million barrels. The forward work program comprises reprocessing of existing seismic data, the acquisition of new 2D seismic data and the drilling of two exploration wells. Completion of the transfer is subject to satisfaction of certain conditions, including approval by the Ministry of Oil and Gas.

YEMEN

At Block 32, the Salsala-1 exploration well was spudded on 9 July and is targeting an estimated 4 million barrel prospect in the Shugra formation. Drilling operations are continuing to plan.

In July, DNO was selected as successful bidder for Block 84 onshore Yemen where it has been awarded a 59.5 percent participating interest (70 percent paying) and operatorship of the block. Block 84 is located in the Masila-Seiyun Basin, adjacent to Block 14 where in excess of one billion barrels of oil have been discovered, and covers a surface area of 731 km^2. The Company already holds interests in five onshore blocks in Yemen focused on the Masila-Seiyun basin. The forward work program comprises the acquisition of new 3D seismic data and the drilling of two exploration wells during the first exploration period. The award of Block 84 is subject to customary government approvals and ratification of a Production Sharing Agreement.

TUNISIA

At the Fkirine license onshore Tunisia, interpretation of the 260 km of 2D seismic data acquired in 2012 and reprocessed 300 km vintage lines is ongoing. At the Hammamet offshore license, a 2D seismic acquisition is planned to better define three identified prospects with a possible well in 2014.

SOMALILAND

On 23 April, the Company announced that it had entered into a Production Sharing Contract covering Block SL-18 onshore Somaliland. The 12,000 km^2 block adds substantial exploration acreage to DNO's portfolio in a high potential area that is both prospective and undrilled. Having been active across the Gulf of Aden in Yemen since the late 1990's, the opportunity falls within the Company's geographical and geological sphere of expertise.

Health, safety, security and environment

An extensive review of the Company's HSSE Management System has been initiated in the second quarter. In connection with this review, the Company's overall HSSE policy is being revised and updated.

A key element in DNO's HSSE management system is the recording, reporting and assessment of relevant data. Following the implementation of a new industry recognized HSSE management tool, the Company has established monitoring of additional key performance indicators (KPIs) in order to provide information on historical trends. The intention is to document quantitative developments over time and to use the information in systematic learning and improvement.

Financial review

Sales, profits and cash flow

Sales in the second quarter were NOK 764 million, representing an increase of 32 percent from the previous quarter (NOK 581 million). The comparable figure last year of NOK 155 million was impacted by a reconciliation of past accounts related to sales from the Tawke field.

Oil exports from the Tawke field in the Kurdistan region of Iraq were halted during early January, meaning that no export revenues have been recorded in the first six months of 2013. However, local sales increased significantly throughout the second quarter, contributing NOK 432 million in the quarter, up from NOK 228 million in the previous quarter.

Revenues from oil and gas production at Block 8 offshore Oman amounted to NOK 200 million in the second quarter, and revenues from the Company's producing assets onshore Yemen amounted to NOK 133 million.

Operating profit during the second quarter was NOK 367 million and net income NOK 280 million, compared to a loss of NOK 140 million and NOK 176 million respectively in the corresponding period last year. Total investments during the second quarter were NOK 466 million, up from NOK 264 million the year before.

The Company has maintained a robust capital structure. At the end of the second quarter the Company's free cash position was NOK 1,648 million. Gross debt as at 30 June was NOK 1,391 million, representing a net cash position of NOK 257 million.

Cost of goods sold

In the second quarter, cost of goods sold was NOK 332 million compared with NOK 232 million in the corresponding period last year.

LIFTING COSTS

Lifting costs were NOK 187 million in the second quarter, compared with NOK 126 million in the corresponding period last year. Total and unit lifting costs per country are presented in the accompanying table.

Lifting cost

	Quarter		Year-to-date		Full year
NOK million	Q2 2013	Q2 2012	Q2 2013	Q2 2012	2012
Kurdistan	84.6	42.2	136.4	82.8	175.3
Oman	23.7	38.5	49.2	62.8	197.1
Yemen	78.2	45.2	144.2	100.2	224.0
Total	**186.5**	**125.9**	**329.9**	**245.8**	**596.4**

Including export volumes

USD/boe	Q2 2013	Q2 2012	Q2 2013	Q2 2012	2012
Kurdistan	6.51	4.61	7.36	3.21	2.92
Oman	4.75	39.09	4.29	15.48	17.32
Yemen	39.99	22.82	35.93	24.80	27.21
Average	**9.35**	**10.39**	**9.69**	**7.26**	**7.48**

DEPRECIATION, DEPLETION AND AMORTIZATION (DD&A)

DD&A amounted to NOK 144 million in the second quarter, higher than the corresponding period last year due to the production shutdown at Block 8 Oman last year caused by a pipeline blockage.

DD&A

	Quarter		Year-to-date		Full year
NOK million	Q2 2013	Q2 2012	Q2 2013	Q2 2012	2012
Kurdistan	58.3	70.3	86.1	157.7	315.0
Oman	54.4	11.8	133.6	38.8	201.0
Yemen	31.5	23.3	61.0	48.2	95.2
Total DD&A	**144.2**	**105.4**	**280.8**	**244.7**	**611.3**

Including export volumes

USD/boe	Q2 2013	Q2 2012	Q2 2013	Q2 2012	2012
Kurdistan	7.67	10.65	7.72	9.97	10.28
Oman	19.42	31.34	20.03	18.98	26.02
Yemen	24.47	20.19	24.34	19.61	19.57
Average DD&A	**12.33**	**12.96**	**13.81**	**12.04**	**14.13**

Exploration and capital expenditure

EXPLORATION COSTS EXPENSED

Expensed exploration costs in the second quarter were NOK 14 million, and relate to geological and geophysical work undertaken across all business units. The costs in Tunisia are related to business development activities and in particular the farm-in agreement of the SFAX and Ras El Besh licenses. There were no dry well costs in the quarter.

Exploration costs expensed

	Quarter		Year-to-date		Full year
NOK million	Q2 2013	Q2 2012	Q2 2013	Q2 2012	2012
Kurdistan	0.7	8.9	0.6	14.2	24.3
Oman	1.3	1.9	3.8	2.5	7.2
Yemen	1.3	2.4	1.6	4.1	6.5
UAE	0.5	0.3	0.9	0.5	2.1
Tunisia	10.5	5.9	17.1	12.3	37.8
Other	0.0	-0.5	1.0	-0.2	0.2
Total	**14.3**	**19.0**	**25.1**	**33.5**	**78.0**

ACQUISITION AND DEVELOPMENT COSTS

(INCL. INTANGIBLE ASSETS)

Capital expenditures in the second quarter were NOK 466 million compared with NOK 264 million in the corresponding period last year. Development projects at the Tawke field amounted to NOK 91 million. Capitalized exploration costs were NOK 76 million associated with the Tawke-17 well. Drilling and completion work at the Erbil license associated with the Bastora-2 and Benenan-3 wells amounted to NOK 66 million, and Summail field development work at the Dohuk license amounted to NOK 8 million. Development costs at Block 47 in Yemen amounted to NOK 8 million, and operating investments at Block 53 amounted to NOK 10 million. Drilling costs at Block 32 amounted to NOK 10 million (Godah-13 NOK 8 million and exploration well Salsala-1 NOK 2 million). Development costs at Block 43 (Nabrajah-9S3) in Yemen amounted to NOK 12 million in the second quarter. Costs related to the West Bukha and Bukha wells offshore Oman amounted to NOK 37 million in the period, while drilling costs associated with the Saleh-8 well in Ras Al Khaimah amounted to NOK 136 million.

Acqusition and development cost

	Quarter		Year-to-date		Full year
NOK million	Q2 2013	Q2 2012	Q2 2013	Q2 2012	2012
Kurdistan	247.1	138.9	467.7	253.7	600.8
Oman	37.0	105.6	147.0	196.9	435.8
Yemen	39.9	22.7	72.1	22.6	99.8
UAE	136.0	-3.6	140.3	-0.2	6.9
Tunisia	-	-	-	-	-
Other	5.4	0.4	6.3	1.4	4.0
Total	**465.5**	**264.0**	**833.5**	**474.4**	**1,147.3**

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 2013 has been prepared in accordance with IAS 34 Interim Financial Reporting and gives a true and 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 report, any significant related parties' transactions, and a description of the significant risks and uncertainties for the remaining six months of the year.

Oslo, 21 August 2013

Bijan Mossavar-Rahmani Executive Chairman	Lars A. Takla Deputy Chairman	Gunnar Hirsti Board Member
Shelley Watson Board Member	Ellen K. Dyvik Board Member	Bjørn Dale Acting President/Managing Director

Consolidated statements of comprehensive income

		Quarter		Year-to-date		Full year
NOK million	**Note**	**Q2 2013**	**Q2 2012**	**Q2 2013**	**Q2 2012**	**2012**
Sales	2, 3	763.7	155.4	1,345.1	866.9	2,841.8
Cost of goods sold	4	-332.2	-232.3	-613.2	-492.6	-1,212.7
Gross profit		**431.6**	**-76.9**	**731.9**	**374.3**	**1,629.2**
Other operating income		0.3	11.6	1.3	21.7	10.4
Tariffs and transportation		-8.7	-4.0	-13.9	-7.8	-15.6
Administrative expense/Other operating expenses		-41.9	-52.1	-62.1	-70.9	-102.4
Exploration cost expensed	5	-14.3	-19.0	-25.1	-33.5	-78.0
Net gain/-loss from sale of PP&E	7	-	-	-	-	-26.7
Profit/-loss from operating activities		**367.0**	**-140.4**	**632.2**	**283.8**	**1,416.9**
Financial income		5.4	11.7	11.2	15.1	23.4
Financial expenses		-22.0	-34.5	-46.0	-71.5	-117.9
Profit/-loss before income tax		**350.4**	**-163.2**	**597.4**	**227.6**	**1,322.5**
Income tax expense	6	-70.5	-13.0	-148.2	-96.5	-282.8
Net profit/-loss		**280.0**	**-176.2**	**449.2**	**131.1**	**1,039.6**
Other comprehensive income						
Currency translation differences	8	187.1	199.0	412.5	15.3	-279.9
Fair value changes available-for-sale financial assets		-0.3	-0.5	-	-0.5	-
Total other comprehensive income, net of tax	6	**186.8**	**198.5**	**412.5**	**14.8**	**-279.9**
Total comprehensive income, net of tax		**466.8**	**22.3**	**861.7**	**145.9**	**759.8**
Net profit/-loss attributable to:						
Equity holders of the parent		280.0	-176.2	449.2	131.1	1,039.6
Total comprehensive income attributable to:						
Equity holders of the parent		466.8	22.3	861.7	145.9	759.8
Earnings per share, basic		0.28	-0.17	0.44	0.13	1.02
Earnings per share, diluted		0.28	-0.17	0.44	0.13	1.02

Condensed consolidated statements of financial position

ASSETS

NOK million	Note	Quarter Q2 2013	Quarter Q2 2012	Full year 2012
Non-current assets				
Goodwill		279.6	277.5	258.2
Deferred income tax assets	6	46.5	50.0	42.9
Other intangible assets	7	951.1	849.0	728.8
Property, plant and equipment	7	4,622.5	3,830.3	3,885.9
Available for sale investments		-	3.3	2.5
Total non-current assets		**5,899.7**	**5,010.2**	**4,918.3**
Current assets				
Inventories	4	250.3	237.1	227.7
Trade and other receivables		604.7	446.6	688.8
Cash and cash equivalents		1,648.3	1,638.3	1,508.1
Total current assets		**2,503.3**	**2,322.0**	**2,424.6**
TOTAL ASSETS		**8,403.0**	**7,332.1**	**7,343.0**

EQUITY AND LIABILITIES

NOK million	Note	Quarter Q2 2013	Quarter Q2 2012	Full year 2012
Equity				
Share capital	8	252.6	255.8	252.6
Other reserves	8	1,468.4	1,454.5	1,055.9
Retained earnings	8	3,154.0	1,796.3	2,704.8
Total equity		**4,875.0**	**3,506.6**	**4,013.3**
Non-current liabilities				
Interest-bearing liabilities	9	1,391.5	1,379.9	1,324.6
Deferred income tax liabilities	6	775.7	706.2	781.7
Retirement benefit obligations		3.0	9.3	2.7
Provisions for other liabilities and charges	10	217.4	292.8	184.5
Total non-current liabilities		**2,387.6**	**2,388.3**	**2,293.4**
Current liabilities				
Trade and other payables		261.7	164.3	222.6
Income taxes payable	6	87.1	19.8	41.4
Current interest-bearing liabilities	9	-	161.3	-
Provisions for other liabilities and charges	10	791.7	1,092.0	772.2
Total current liabilities		**1,140.4**	**1,437.3**	**1,036.2**
TOTAL EQUITY AND LIABILITIES		**8,403.0**	**7,332.1**	**7,343.0**

Condensed consolidated cash flow statements

		Quarter		Year-to-date		Full year
NOK million	**Note**	**Q2 2013**	**Q2 2012**	**Q2 2013**	**Q2 2012**	**2012**
Operating activities						
Profit/-loss before income tax		350.4	-163.2	597.4	227.6	1,322.5
Adjustments to add (deduct) non-cash items:						
+/- Net interest expense (-income)		7.6	27.3	22.3	47.3	94.4
Previously capitalized exploration and evaluation expenses	5	-	0.7	-	0.5	0.6
Depreciation of PP&E	4	145.7	106.5	283.4	246.9	616.4
(Gain)/loss on PPE	7	-	-	-	-	26.7
(Gain)/loss on shares		-	-	-0.3	-	-0.3
Other *		33.6	53.0	47.9	313.2	311.6
Changes in working capital:						
- Inventories		-18.9	-5.2	-22.6	-143.6	-134.7
- Trade and other receivables		-171.6	46.9	84.1	-149.0	-391.2
- Trade and other payables		62.6	33.6	39.0	78.6	136.9
- Provisions for other liabilities and charges		-7.0	355.5	19.5	222.5	-97.3
Cash generated from operations		402.5	455.1	1,070.8	844.0	1,885.6
Income taxes paid		-79.5	-71.2	-169.5	-122.8	-159.6
Interest paid		-27.8	-31.3	-58.7	-54.7	-143.2
Net cash from operating activities		**295.2**	**352.6**	**842.6**	**666.5**	**1,582.8**
Investing activities						
Acquisition of subsidiary, net of cash		-	-	-	-115.5	-115.5
Purchases of intangible assets	7	-82.7	-76.6	-159.7	-127.2	-249.7
Purchases of tangible assets	7	-382.8	-187.4	-673.8	-347.2	-897.6
Proceeds from sale of tangible assets		-	-	-	-	2.3
Purchases of available-for-sale financial assets		-	-3.9	-	-3.9	-3.9
Proceeds from sale of available-for-sale financial assets		2.8	-	2.8	-	1.7
Interest received		-0.4	3.9	1.2	7.3	6.5
Net cash from/-used in investing activities		**-463.1**	**-264.0**	**-829.5**	**-586.5**	**-1,256.3**
Financing activities						
Repayment of borrowings	9	-	-106.5	-	-106.5	-279.3
Purchase of treasury shares, including options	8	-	-	-	-	-107.1
Net cash from/-used financing activities		**-**	**-106.5**	**-**	**-106.5**	**-386.4**
Net increase/-decrease in cash and cash equivalents		**-167.9**	**-17.9**	**13.1**	**-26.5**	**-60.0**
Cash and cash equivalents at beginning of the period		1,755.0	1,602.4	1,508.1	1,644.8	1,644.8
Exchange gain/-losses on cash and cash equivalents		61.2	53.8	127.1	20.1	-76.6
Cash and cash equivalents at end of the period		**1,648.3**	**1,638.3**	**1,648.3**	**1,638.3**	**1,508.1**

* Included in the line Other under Operating activities are foreign currency 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 statements of changes in equity

NOK million	Note	Share capital	Other reserves	Retained earnings	Total equity
Balance at 1 January 2012		**217.5**	**275.1**	**1,665.2**	**2,157.7**
Fair value gains, net of tax:					
- available-for-sale financial assets		-	-0.5	-	-0.5
Currency translation differences		-	15.3	-	15.3
Other comprehensive income/-loss		-	14.8	-	14.8
Profit for the period		-	-	131.1	131.1
Total comprehensive income		-	14.8	131.1	145.9
Issue of share capital		18.4	557.3	-	575.6
Purchase of treasury shares		-	-	-	-
Sale of treasury shares		20.0	607.2	-	627.2
		38.4	1,164.5	-	1,202.8
Balance at 30 June 2012	8	**255.8**	**1,454.5**	**1,796.3**	**3,506.6**

NOK million	Note	Share capital	Other reserves	Retained earnings	Total equity
Balance at 1 January 2013		**252.6**	**1,055.9**	**2,704.8**	**4,013.3**
Fair value gains, net of tax:					
- available-for-sale financial assets		-	-	-	-
Currency translation differences		-	412.5	-	412.5
Other comprehensive income/-loss		-	412.5	-	412.5
Profit for the period		-	-	449.2	449.2
Total comprehensive income		-	412.5	449.2	861.7
Issue of share capital		-	-	-	-
Purchase of treasury shares		-	-	-	-
Sale of treasury shares		-	-	-	-
		-	-	-	-
Balance at 30 June 2013	8	**252.6**	**1,468.4**	**3,154.0**	**4,875.0**

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 2012. The interim financial information for 2013 and 2012 is unaudited.

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

A detailed description of the accounting policies applied is included in the DNO annual financial statements for 2012.

Note 2 || Segment information

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

Three months ended 30 June 2013 NOK mill	**Note**	**TUN**	**YEM**	**KUR**	**OMAN**	**UAE**	**OTHER**	**Total report. segm.**	**Unalloc./ elimin.**	**GROUP**
Income statement information										
External sales	3	-	132.6	431.5	199.7	-	-	763.7	-	**763.7**
Inter-segment sales		1.5	3.9	10.7	5.2	7.9	0.8	30.0	-30.0	**-**
Cost of goods sold	4	-	-109.7	-143.3	-78.2	-	-0.2	-331.5	-0.7	**-332.2**
Gross profit		**1.5**	**26.7**	**298.9**	**126.6**	**7.9**	**0.6**	**462.2**	**-30.6**	**431.6**
Segment operating result		**-10.0**	**-1.1**	**272.4**	**117.1**	**-3.2**	**4.2**	**379.3**	**-19.7**	**359.6**
Interest - net										**-9.2**
Gain/-loss on sale of shares										**-**
Income tax expense		-	-2.1	-	-68.3	-	-	-70.5	-	**-70.5**
Net profit/-loss										**280.0**
Segment assets		**58.8**	**750.5**	**3,510.8**	**1,751.5**	**686.8**	**25.0**	**6,783.4**	**1,619.6**	**8,403.0**

Three months ended 30 June 2012 NOK mill	**Note**	**TUN**	**YEM**	**KUR**	**OMAN**	**UAE**	**OTHER**	**Total report. segm.**	**Unalloc./ elimin.**	**GROUP**
Income statement information										
External sales	3	-	121.5	-6.3	40.2	-	-	155.4	-	**155.4**
Inter-segment sales		0.5	0.7	7.8	1.0	0.1	-	10.2	-10.2	**-**
Cost of goods sold	4	-	-68.5	-112.9	-50.2	-	-0.2	-231.8	-0.5	**-232.3**
Gross profit		**0.5**	**53.7**	**-111.4**	**-9.0**	**0.1**	**-0.2**	**-66.2**	**-10.7**	**-76.9**
Segment operating result		**-5.9**	**43.6**	**-122.5**	**-11.0**	**-0.2**	**-3.0**	**-99.1**	**-40.6**	**-139.7**
Interest - net										**-23.5**
Gain/(loss) on sale of shares										**-**
Income tax expense		-	-18.2	-	5.3	-	-	-13.0	-	**-13.0**
Net profit/-loss										**-176.2**
Segment assets		**18.9**	**601.9**	**2,857.7**	**1,694.6**	**527.9**	**50.9**	**5,752.0**	**1,530.2**	**7,282.1**

Note 2 || Segment information continues

Six months ended 30 June 2013 NOK mill	Note	TUN	YEM	KUR	OMAN	UAE	OTHER	Total report. segm.	Unalloc./ elimin.	GROUP
Income statement information										
External sales	3	-	267.5	659.3	418.3	-	-	1,345.1	-	**1,345.1**
Inter-segment sales		3.2	7.5	15.6	11.4	8.4	0.8	46.8	-46.8	**-**
Cost of goods sold	4	-	-205.3	-223.3	-183.0	-	-0.3	-611.9	-1.2	**-613.2**
Gross profit		**3.2**	**69.7**	**451.5**	**246.7**	**8.4**	**0.4**	**780.0**	**-48.0**	**731.9**
Segment operating result		**-15.8**	**29.0**	**416.4**	**230.7**	**-4.3**	**3.0**	**659.0**	**-39.5**	**619.5**
Interest - net										**-22.3**
Gain/-loss on sale of shares										**0.3**
Income tax expense		-	-15.7	-	-132.5	-	-	-148.2	-	**-148.2**
Net profit/-loss										**449.2**
Segment assets		**96.8**	**750.5**	**3,510.8**	**1,751.5**	**686.8**	**-13.0**	**6,783.4**	**1,619.6**	**8,403.0**

Six months ended 30 June 2012 NOK mill	Note	TUN	YEM	KUR	OMAN	UAE	OTHER	Total report. segm.	Unalloc./ elimin.	GROUP
Income statement information										
External sales	3	-	282.5	395.0	189.5	-	-	866.9	-	**866.9**
Inter-segment sales		0.6	5.1	11.5	4.9	0.5	-	22.6	-22.6	**-**
Cost of goods sold	4	-	-148.4	-241.2	-101.6	-	-0.3	-491.5	-1.1	**-492.6**
Gross profit		**0.6**	**139.1**	**165.3**	**92.7**	**0.5**	**-0.3**	**398.0**	**-23.6**	**374.3**
Segment operating result		**-12.6**	**119.6**	**147.3**	**89.6**	**-**	**-7.7**	**336.3**	**-62.0**	**274.3**
Interest - net										**-46.7**
Gain/-loss on sale of shares										**-**
Income tax expense		-	-46.7	-	-49.8	-	-	-96.5	-	**-96.5**
Net profit/-loss										**131.1**
Segment assets		**18.9**	**601.9**	**2,857.7**	**1,694.6**	**527.9**	**50.9**	**5,752.0**	**1,530.2**	**7,282.1**

Note 3 || Sales

DNO reports its operations governed by Production Sharing Agreements/Production Sharing Contracts (PSA/PSC) according to the net entitlement method.

	Quarter		Year to date		Full year
NOK million	**Q2 2013**	**Q2 2012**	**Q2 2013**	**Q2 2012**	**2012**
Sale of petroleum products	763.7	155.4	1,345.1	866.9	2,841.8
Total sales	**763.7**	**155.4**	**1,345.1**	**866.9**	**2,841.8**

Note 4 || Cost of goods sold/inventory

	Quarter		Year-to-date		Full year
NOK million	**Q2 2013**	**Q2 2012**	**Q2 2013**	**Q2 2012**	**2012**
Lifting costs *	-186.5	-125.9	-329.9	-245.8	-596.4
Depreciation, depletion and amortization	-145.7	-106.5	-283.3	-246.8	-616.3
Total cost of goods sold	**-332.2**	**-232.3**	**-613.2**	**-492.6**	**-1,212.7**

* 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.

	Quarter		Full year
NOK million	**Q2 2013**	**Q2 2012**	**2012**
Spare parts	133.5	90.9	116.5
Other inventory	116.9	146.2	111.2
Total inventory	**250.3**	**237.1**	**227.7**

Spare parts relate 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 cost

	Quarter		Year-to-date		Full year
NOK million	**Q2 2013**	**Q2 2012**	**Q2 2013**	**Q2 2012**	**2012**
Exploration expenses (G&G and field surveys)	-6.0	-14.3	-8.2	-28.1	-50.4
Seismic costs	-0.8	-3.3	-1.6	-3.8	-18.3
Exploration costs capitalized in previous years carried to cost	0.1	-	0.1	0.4	0.4
Exploration costs capitalized this year carried to cost	-	-0.7	-	-1.0	-1.0
Other exploration cost expensed	-7.5	-0.6	-15.4	-1.0	-8.7
Total exploration cost expensed *	**-14.3**	**-19.0**	**-25.1**	**-33.5**	**-78.0**

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

Note 6 || Income taxes

	Quarter		Year-to-date		Full year
NOK million	**Q2 2013**	**Q2 2012**	**Q2 2013**	**Q2 2012**	**2012**
Deferred taxes	31.4	-5.8	66.9	-26.7	-154.6
Income taxes payable related to Production Sharing Agreements (PSAs)	-101.9	-7.2	-215.1	-69.8	-128.3
Total income tax expense	**-70.5**	**-13.0**	**-148.2**	**-96.5**	**-282.8**

Income taxes payable amounting to NOK 87.1 million relates entirely to the company tax element in our Production Sharing Agreements in Yemen and Oman. The taxes payable will be settled in kind.

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

	Quarter		Year-to-date		Full year
NOK million	**Q2 2013**	**Q2 2012**	**Q2 2013**	**Q2 2012**	**2012**
Acquisitions of PP&E *	382.8	187.4	673.8	347.2	897.6
Acquisitions of intangible assets **	82.7	76.6	159.7	127.2	249.7
Acquisitions through business combinations ***	-	-	-	1,508.5	1,508.5
Net book amount PP&E	**4,622.5**	**3,830.3**	**4,622.5**	**3,830.3**	**3,885.9**
Net book amount intangible assets	**951.1**	**849.0**	**951.1**	**849.0**	**728.8**
Sale of PP&E					
Proceeds	-	-	-	-	2.0
Carrying value	-	-	-	-	28.7
Net gain/-loss	-	-	-	-	-26.7
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
*** Acquisitions through business combinations are related to the merger with RAK Petroleum PCL's MENA subsidiaries.

Sale of PP&E in 2012 was related to the sale of the five percent license interest in Block P in Equatorial Guinea.

Note 8 || Equity

Share capital

NOK million	Number of shares (1,000)	Ordinary shares	Treasury shares	Total
At 1 January 2012	**949,857**	**237.5**	**-20.0**	**217.5**
Share option scheme:				
- value of services provided	-	-	-	**-**
- proceeds from shares issued	-	-	-	**-**
Treasury shares purchased/sold	-	-	20.0	**20.0**
Share issues	73,422	18.4	-	**18.4**
At 30 June 2012	**1,023,279**	**255.8**	**-**	**255.8**
At 1 January 2013	**1,023,279**	**255.8**	**-3.3**	**252.6**
Share option scheme:				
- value of services provided	-	-	-	**-**
- proceeds from shares issued	-	-	-	**-**
Treasury shares purchased/sold	-	-	-	**-**
Share issues	-	-	-	**-**
At 30 June 2013	**1,023,279**	**255.8**	**-3.3**	**252.6**

In connection with the merger with RAK Petroleum PCL's MENA subsidiaries in January 2012, DNO increased the share capital by issuing 73,422,343 new shares as partial consideration for the merger. An additional 80 million treasury shares were transferred from DNO to RAK Petroleum PCL as further consideration. The total number of ordinary shares is 1,023,279,255 shares with a par value of NOK 0.25 per share. All issued shares are fully paid.

Note 8 || Equity continues

Other reserves

NOK million	Share premium	Other paid-in capital	Available-for-sale investm.	Other reserves	Translation	Total
Balance at 1 January 2012	**370.0**	**347.4**	**-**	**-324.7**	**-117.3**	**275.1**
Revaluation, net of tax	-	-	-0.5	-	-	-0.5
Treasury shares:						
- Sale of treasury shares	-	-	-	607.2	-	607.2
- Purchase of treasury shares	-	-	-	-	-	-
Other paid in capital	-	-	-	-	-	-
Issue of share capital	557.3	-	-	-	-	557.3
Currency translation differences:						
- Group	-	-	-	-	15.3	15.3
Balance at 30 June 2012	**927.3**	**347.4**	**-0.5**	**282.3**	**-102.0**	**1,454.5**
Balance at 1 January 2013	**927.0**	**347.4**	**-**	**178.6**	**-397.2**	**1,055.9**
Revaluation, net of tax	-	-	-	-	-	-
Treasury shares:						
- Sale of treasury shares	-	-	-	-	-	-
- Purchase of treasury shares	-	-	-	-	-	-
Other paid in capital	-	-	-	-	-	-
Issue of share capital	-	-	-	-	-	-
Currency translation differences:						
- Group	-	-	-	-	412.5	412.5
Balance at 30 June 2013	**927.0**	**347.4**	**-**	**178.6**	**15.3**	**1,468.4**

Retained earnings

NOK million	
Balance at 1 January 2012	**1,665.2**
Profit for the period	131.1
Balance at 30 June 2012	**1,796.3**
Balance at 1 January 2013	**2,704.8**
Profit for the period	449.2
Balance at 30 June 2013	**3,154.0**

Note 9 || Interest-bearing liabilities

NOK million	Quarter Q2 2013	Quarter Q2 2012	Full year 2012
Non-current			
Bonds	1,391.5	1,379.9	1,324.6
Total non-current interest-bearing liabilities	**1,391.5**	**1,379.9**	**1,324.6**
Current			
Current portion of bonds	-	161.3	-
Total current interest-bearing liabilities	**-**	**161.3**	**-**
Total interest-bearing liabilities	**1,391.5**	**1,541.2**	**1,324.6**

NOK million	Currency	Amount	Interest	Maturity	Q2 2013	Q1 2013
Non-current						
Bond loan (ISIN NO0010606197)	NOK	560.0	Nibor + 7.5%	11/04/2016	560.0	560.0
Bond loan (ISIN NO0010606189)	USD	140.0	Libor + 7.5%	11/04/2016	843.9	815.6
Borrowing issue costs					-12.4	-13.6
Total interest-bearing liabilities					**1,391.5**	**1,362.0**

Note 10 || Provisions for other liabilities and charges

NOK million	Quarter Q2 2013	Quarter Q2 2012	Full year 2012
Non-current			
Asset retirement obligations	20.4	18.1	17.8
Other long-term obligations	197.0	274.7	166.7
Total non-current provisions for other liabilities and charges	**217.4**	**292.8**	**184.5**
Current			
Other provisions and charges	791.7	1,092.0	772.2
Total current provisions for other liabilities and charges	**791.7**	**1,092.0**	**772.2**
Total provisions for other liabilities and charges	**1,009.1**	**1,384.7**	**956.6**

NOK million	Asset retirement obligation	Other non-current	Other current	Total
Balance at 31 December 2012	**17.8**	**166.7**	**772.2**	**956.6**
Charged to consolidated statement of comprehensive income:				
- Additional provisions	2.6	30.3	26.5	59.5
- Unused amounts reversed or reclassified	-	-	-	-
Balance at 30 June 2013	**20.4**	**197.0**	**791.7**	**1,009.1**

Included in provison for other liabilities and charges is 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 sale 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. Most of the WPP liability has been classified as short-term at 30 June 2013 and included in other provisions and charges (current).

Note 11 || Events after the balance sheet date

NEW LICENSE IN YEMEN

On 10 July, the Company announced that it has been selected by the Ministry of Oil and Minerals of the Republic of Yemen as successful bidder for onshore Block 84. DNO Yemen AS has been awarded a 59.5 percent participating interest (70 percent paying) and operatorship of Block 84. The other partners are Turkey's Dogan Enerji Yatirimlari Sanayi ve Ticaret A.S. with a 25.5 percent participating interest (30 percent paying) and Yemen Oil and Gas Corporation, a state company, with a 15 percent participating interest.

Block 84 onshore Yemen covers a surface area of 731 km^2 and is located in the Masila-Seiyun Basin, adjacent to Block 14 where more than one billion barrels of oil have been discovered. The partners will acquire new 3D seismic and drill two exploration wells during the first exploration period.

NEW LICENSE IN OMAN

On 10 July, the Company also announced that it had entered into a farm-in agreement with respect of Block 36 onshore in the Sultanate of Oman. The Block 36 farm-in agreement provides for the transfer to DNO Oman AS of a 75 percent participating interest (100 percent paying) from Allied Petroleum Exploration Inc. The Company will assume operatorship and fund reprocessing of existing and acquisition of new 2D seismic data and drilling of two exploration wells.

Block 36 is located in the Rub al Khali basin and covers a surface area of more than 18,000 km^2. Two exploration wells previously drilled in the block have confirmed the presence of source rock in the basal Silurian hot shale, an organic-rich shale that has sourced the majority of the oil and gas fields discovered in the Arabian Peninsula and North Africa. Multiple stacked potential reservoir units have also been identified and mapped on the existing seismic data comprising 10,000 km of 2D seismic data complemented by high-resolution gravity and aeromagnetic surveys. Technical work to date suggests potential lead sizes in excess of 100 million barrels.

TAWKE-20

The Company announced on 22 July that it had initiated production from the first horizontal well in the Tawke field in the Kurdistan region of Iraq at a record rate of 25,000 barrels of oil a day. It had previously been reported that the Tawke-20 well had flowed an average of 8,000 barrels a day from each of the first four of ten fractured corridors penetrated by a 600-metre horizontal section in the Cretaceous reservoir interval of the field. Each of the remaining six corridors also flowed an average of 8,000 barrels a day. Following completion of testing, the well has been placed on production but is subject to wellbore and surface facilities limitations. Currently, the most productive vertical well in the Tawke field is flowing at an average daily rate of 10,000 barrels.

ONGOING DRILLING OPERATIONS

Drilling operations are underway at a second horizontal well, Tawke-23, and the Company is preparing to commence drilling of a third horizontal well, Tawke-21.

NOTES

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