



Oslo, 13 October 2011

Dear Shareholder:

DNO is now entering a new era with exciting opportunities ahead. We have recently made strong operational achievements both with respect to increased production capacity and increased reserve base. At the same time, we have succeeded in negotiating a transaction, which will provide a stronger platform for further growth and value creation, in line with our strategy. In order to implement this transaction we need support from our shareholders at the forthcoming extraordinary general meeting on 1 November.

The Company's strategy is clear: We aim to expand and grow the company in the Middle East and North Africa region (MENA) region. We also wish to ensure that such growth will provide improved operational and financial predictability, compared to what has been the case in the past. This is the reason why I, together with the rest of our management team, proposed to the independent board of directors, to merge the RAK Petroleum's MENA assets into DNO. This transaction will mark our first step towards becoming a significantly larger player in the MENA region.

Our objective is to diversify risks both with respect to our operations and cash-flow, as well as geographically and politically. The merger will add a balanced portfolio of assets to our existing one. In addition, integrating the RAK organisation with our team in DNO, will add valuable competence and capacity to our existing organization, expand our knowledge of the region and not least strengthened governmental relations. United, our two organisations will represent a stronger team in the region, which is needed to achieve our ambitions for continued growth and value creation. The enlarged enterprise will also be in a position to offer new and exciting career opportunities for the combined organization. In sum this I believe will put the Company in a stronger position, both to extract more values from the enlarged portfolio, but also to seek new entries in the MENA region going forward.

During the process arriving at the point of recommending the merger to our shareholders, we have placed strong emphasis on corporate governance. The process started during the spring of this year, but after the first assessment and valuations made by our management team it became clear that more data and time were needed. After some months of discussions and further work, we reached agreement on a value range of the two companies as the basis for further negotiations, which we presented to the market on 4 July. An important principle agreed was that the negotiation should be based on Competent Person Reports (CPRs) to be prepared by independent reservoir engineering experts who were commissioned to undertake a detailed evaluation of both companies' assets. We have also made use of a wide group of additional external advisers, and the overall objective of the process has been to arrive at fair relative valuation to be used for the merger.

After the CPRs were available and our team of advisors had presented their work, we advanced the negotiations, which were undertaken by the management team in close cooperation with the independent directors only. The final results have been incorporated in the merger plan we are now proposing to you as our shareholders, and I am confident that the final agreed merger plan will be beneficial to our Company, employees and all shareholders.

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Adress

DNO International ASA  
Stranden 1, Aker brygge  
N-0250 OSLO

Phone

+47 23 23 84 80

Fax

+47 23 23 84 81

E-mail/Internett

dno@dno.no

www.dno.no



The enlarged DNO will have a size and weight, which makes us even more attractive for a listing in London. That will bring the Company on to the radar screen of a wider range of investors and also provide access to a much larger capital market. However, we will maintain our Norwegian profile with a continued listing in Oslo where our headquarters will remain.

Before we can move forward with the merger and the integration plan, you as shareholders will have an opportunity to vote on our recommendation. As a shareholder of the Company myself, I will place my vote in favour of the merger. Your vote is important and it is my hope that you will follow the same course. I would also hope that you would consider giving us your proxy should you be unable to attend the extraordinary general meeting on 1 November in person.

A complete prospectus for the recommended merger can be downloaded from our website at [www.dno.no](http://www.dno.no) or from the Arctic Securities ASA site at [www.arcticsec.no](http://www.arcticsec.no). The prospectus describes all aspects of the merger in a depth, which is not possible in this letter.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Helge Eide', written in a cursive style.

Helge Eide

President & Managing Director  
DNO International ASA