



# PRESENTATION OF DNO ASA

29 August 2006

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# 2006

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**This presentation was prepared for the August 29, 2006 presentation. Information contained within will not be updated. The following slides should be read and considered in connection with the information given orally during the presentation.**

The background of the slide is a grayscale photograph of an offshore oil rig. The rig is a tall, lattice-structured derrick with various platforms and equipment. It is situated on a dark, flat, arid landscape. In the distance, there are low, rolling hills or mountains under a pale, overcast sky. The overall tone is industrial and rugged.

**OUR MISSION IS TO BE A LEADING EXPLORATION AND  
PRODUCTION COMPANY FOCUSED ON TRANSFORMING  
RESOURCES TO RESERVES AT LOW COST,  
GENERATING SUBSTANTIAL AND CONSISTENT VALUE  
FOR OUR SHAREHOLDERS**

# NEW GROWTH CYCLE

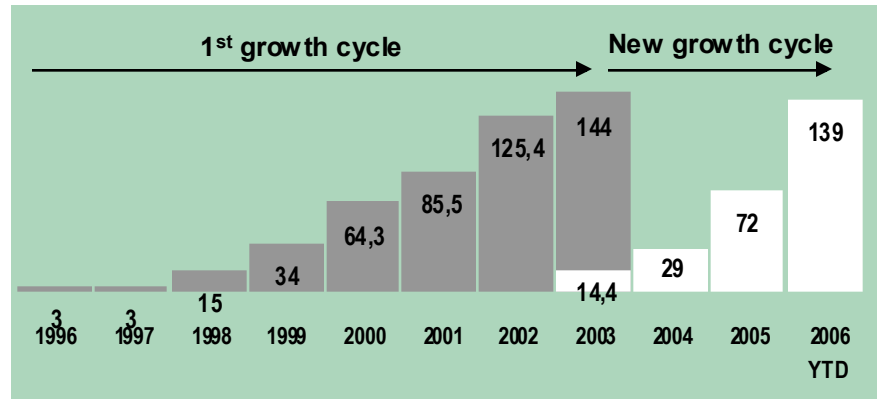
## Realizing and returning values

- Initial focus on small and mature fields in the North Sea
- Approximately NOK 1.5 billion in sales proceeds in 2004 (USD/NOK = 6.2)
- Approximately NOK 1 billion in dividend 2003 - 2005

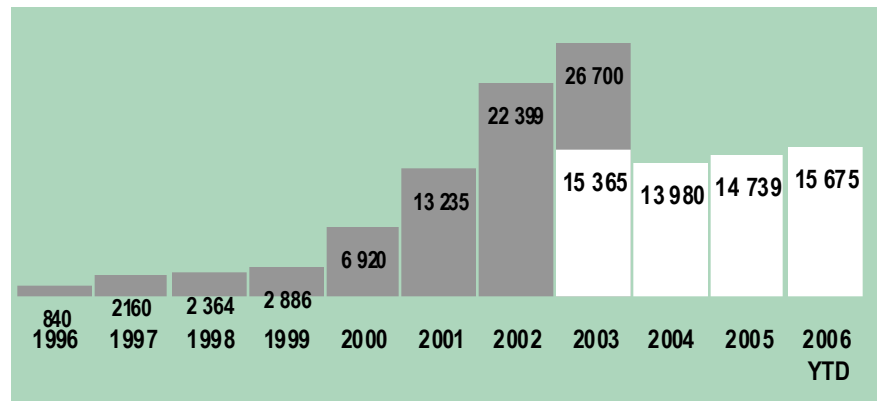
## New growth cycle

- Revised strategy targeting high potential exploration prospects
- Cash flow from low cost production funding exploration
- Organic growth through exploration and development creating higher return

WI P50 Reserves (MBOE) 2001 - 2006



WI Production (BOPD) 2001 - 2006e



# PRODUCTION

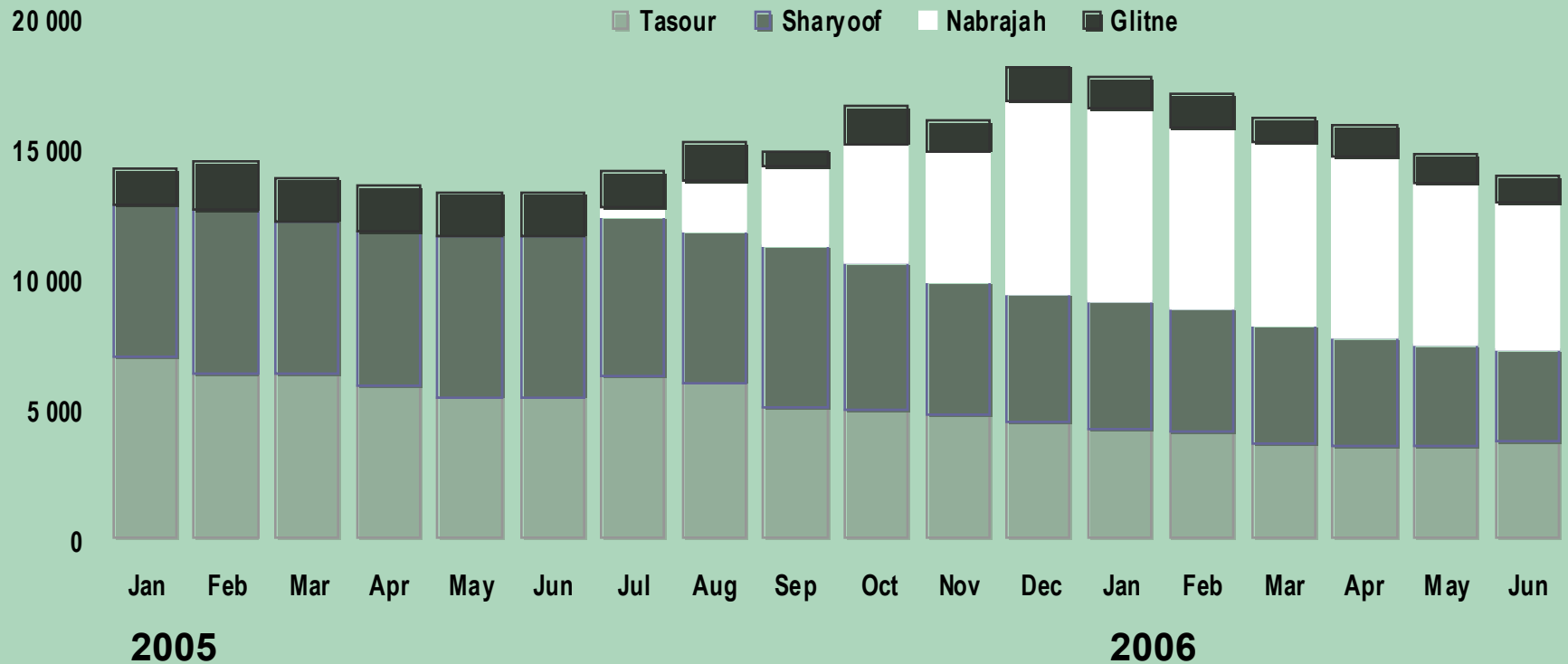
Working Interest

## BOPD

**YTD: 15,675**

**Q2: 14,470**

**2006E: 15,000**

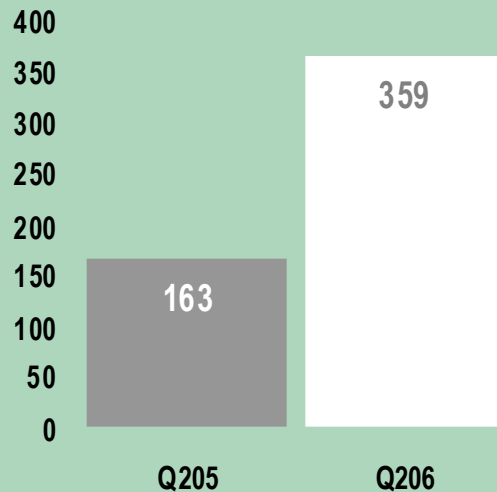


# NET ENTITLEMENT

## SECOND QUARTER KEY FIGURES

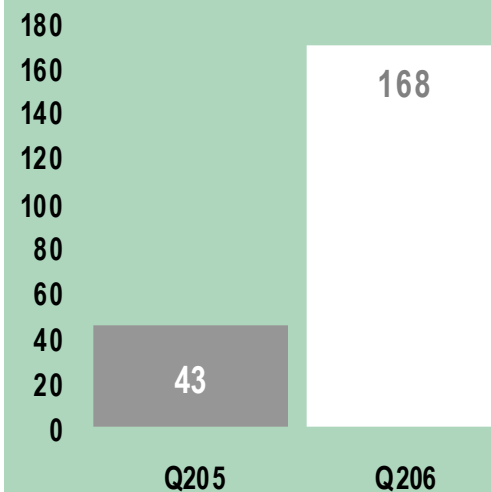
Sales (NOK million)

**+120%\***

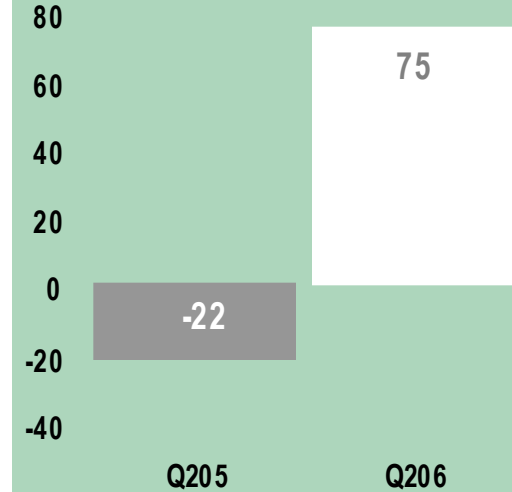


EBITDA (NOK million)

**+290%\***



Net Profit (NOK million)



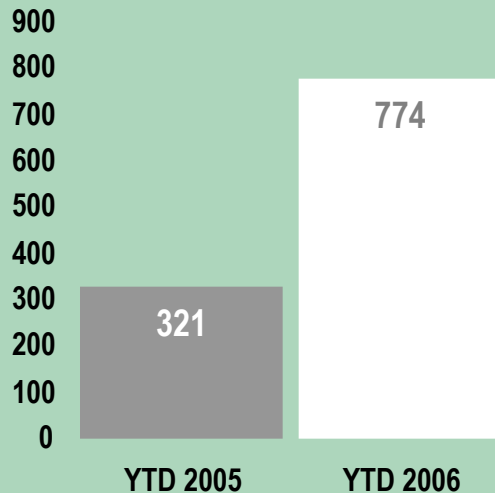
\* Change from Q2 2005

- **Strong improvement in all key financial figures**
- **Exploration costs expensed increased by NOK 66 million**

# NET ENTITLEMENT YEAR TO DATE KEY FIGURES

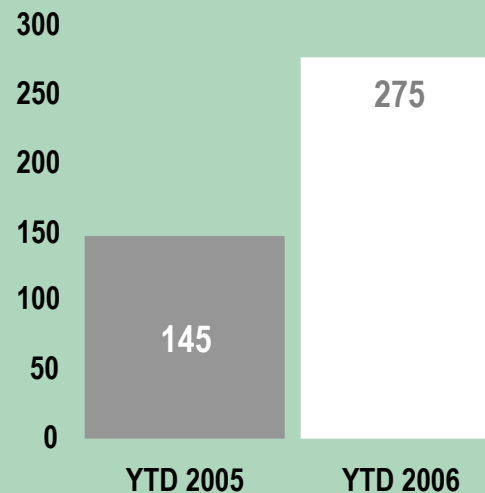
Sales (NOK million)

**+141%\***



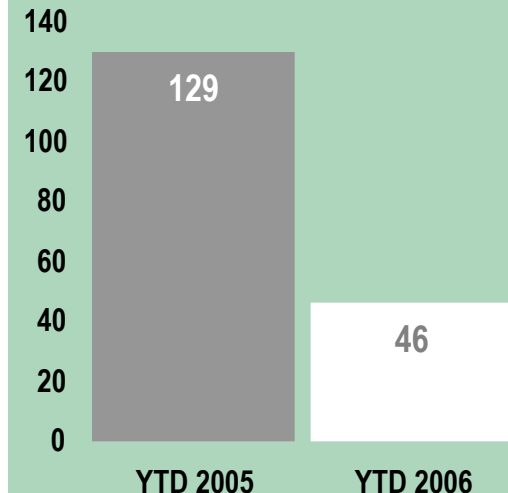
EBITDA (NOK million)

**+90%\***



Net Profit (NOK million)

**-64%\***



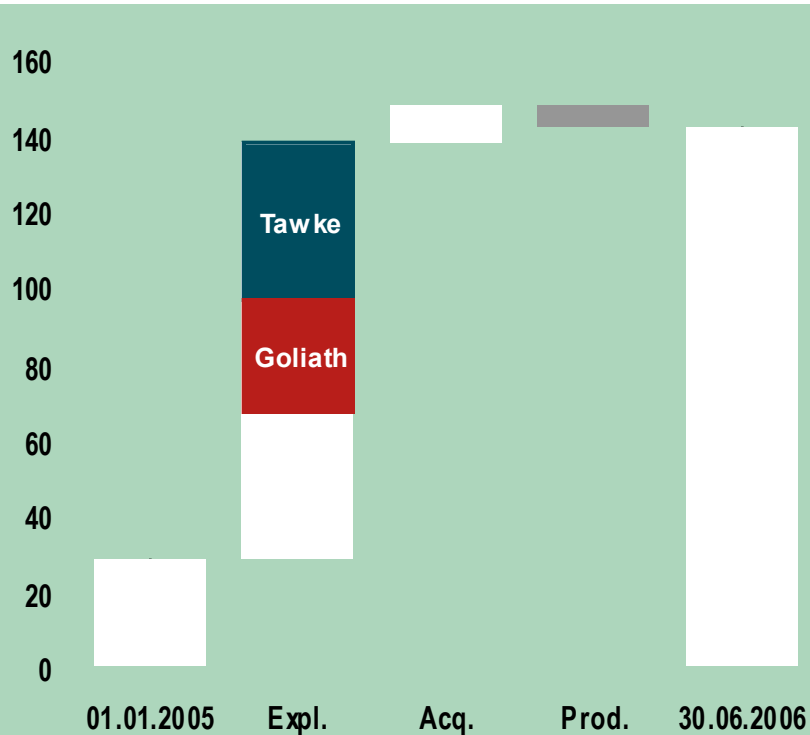
\* Change from YTD 2005

- **Strong YTD financial results in view of increased exploration activity**
- **YTD exploration costs expensed increased by NOK 262 million - in line with DNO's strategy**

# WORKING INTEREST RESERVE DEVELOPMENT

WI Reserves P+P (MBOE)

## Last 18 months



## Strong organic reserve growth

- Discoveries at Goliat (NCS) and Tawke (N. Iraq) adds 70 million barrels in P+P reserves (WI) to DNO
- Reserves have increased by 100 percent YTD
- Reserves have increased by 400 percent last 18 months



The background of the slide is a black and white photograph. On the right side, a man in profile is shown wearing a white hard hat and a dark work shirt. He is looking towards the left. On the left side, there is a tall, complex industrial structure, likely an offshore oil or gas rig, with various platforms and ladders. The sky is a uniform grey.

# OPERATIONAL REVIEW

# WORLD WIDE PORTFOLIO

## 35 LICENSES - 16 AS OPERATOR

### Northern Europe (25) WI

#### Norway

|                            |       |
|----------------------------|-------|
| ■ PL 048B "Glitne Field"   | 10.00 |
| ■ PL 048D "Enoch"          | 10.00 |
| ■ PL 305 (O)               | 30.00 |
| ■ PL 305 B (O)             | 30.00 |
| ■ PL 229 "Goliat"          | 15.00 |
| ■ PL 035                   | 25.00 |
| ■ PL 272                   | 25.00 |
| ■ PL 341 (O)               | 30.00 |
| ■ PL 334                   | 30.00 |
| ■ PL 332                   | 20.00 |
| ■ PL 362                   | 25.00 |
| ■ PL 364                   | xx.xx |
| ■ PL 029B "Gere and Freke" | 20.00 |
| ■ PL 265 "Ragnarock"       | 30.00 |
| ■ PL 028B "Hanz" (O)       | 35.00 |
| ■ PL 001B "West Cable" (O) | 35.00 |
| ■ PL 242 "Draupne" (O)     | 35.00 |
| ■ PL 263 "Zita"            | 30.00 |
| ■ PL 263B                  | 30.00 |
| ■ PL 143CS                 | 35.00 |
| ■ PL 356 (O)               | 50.00 |
| ■ PL 369                   | 20.00 |
| ■ PL 380                   | 30.00 |
| ■ PL 383 (O)               | 50.00 |
| ■ PL 387                   | 30.00 |

#### United Kingdom

|             |       |
|-------------|-------|
| ■ P1067 (O) | 50.00 |
|-------------|-------|

### Middle East (8) WI

#### Yemen

|                           |       |
|---------------------------|-------|
| ■ Block 32 (Tasour) (O)   | 38.95 |
| ■ Block 43 (Nabrajah) (O) | 56.67 |
| ■ Block 53 (Sharyoof)     | 24.45 |
| ■ Block 44 (O)            | 65.10 |
| ■ Block 72 (O)            | 34.00 |
| ■ Block 47 (O)            | 35.00 |

#### Northern Iraq

|           |       |
|-----------|-------|
| ■ PSA (O) | 40.00 |
|-----------|-------|

#### Syria

|       |       |
|-------|-------|
| ■ PSA | 19.90 |
|-------|-------|

### Africa (2) WI

#### Equatorial Guinea

|           |      |
|-----------|------|
| ■ Block P | 5.00 |
|-----------|------|

#### Mozambique

|                       |       |
|-----------------------|-------|
| ■ Inhaminga Block (O) | 80.00 |
|-----------------------|-------|

- Producing asset
- Exploration/Development asset

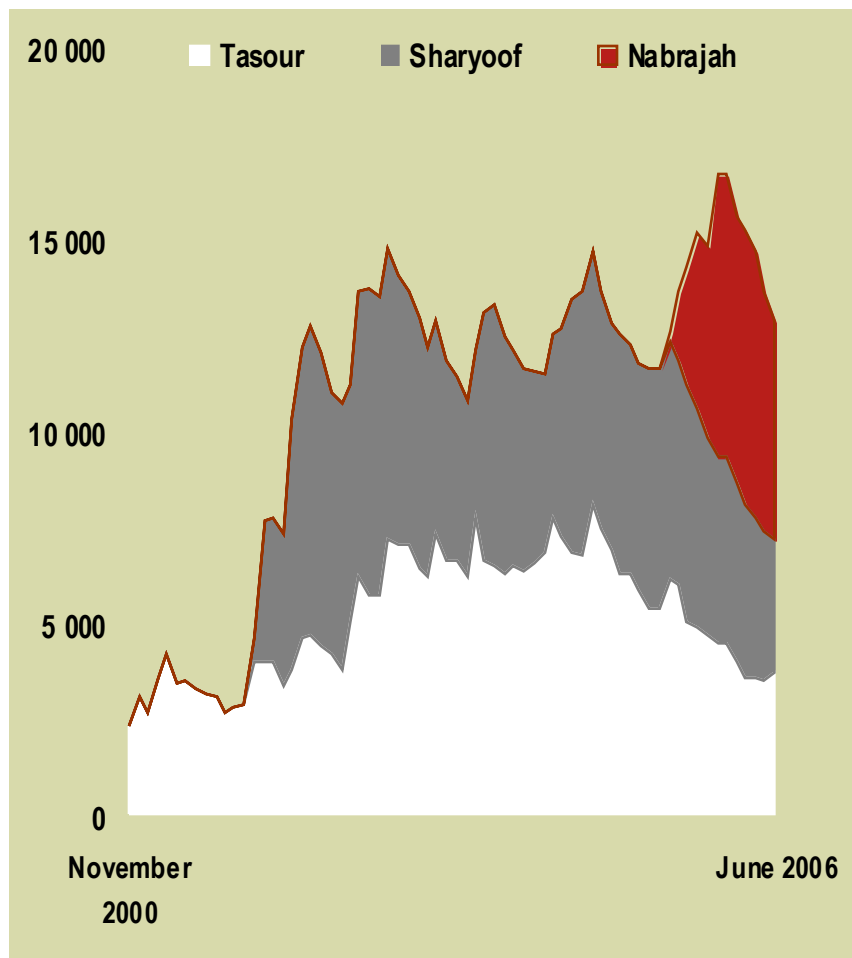
# SECOND QUARTER AND FIRST SIX MONTHS OPERATIONAL HIGHLIGHTS

- **YTD production increased by 14 %**
- **Yemen (Nabrajah) production below plan – Glitne production in line with plan**
- **Strong achievements in Northern Iraq – oil discovery at first well**
- **Goliat gross P50 reserves increased from 50 to 250 million barrels – two more wells to be drilled in Q4 2006**
- **DNO has participated in 12 wells YTD, of which 6 are exploration wells**
- **During the next six months DNO is expected to participate in 16 new wells of which 11 exploration wells**



# YEMEN

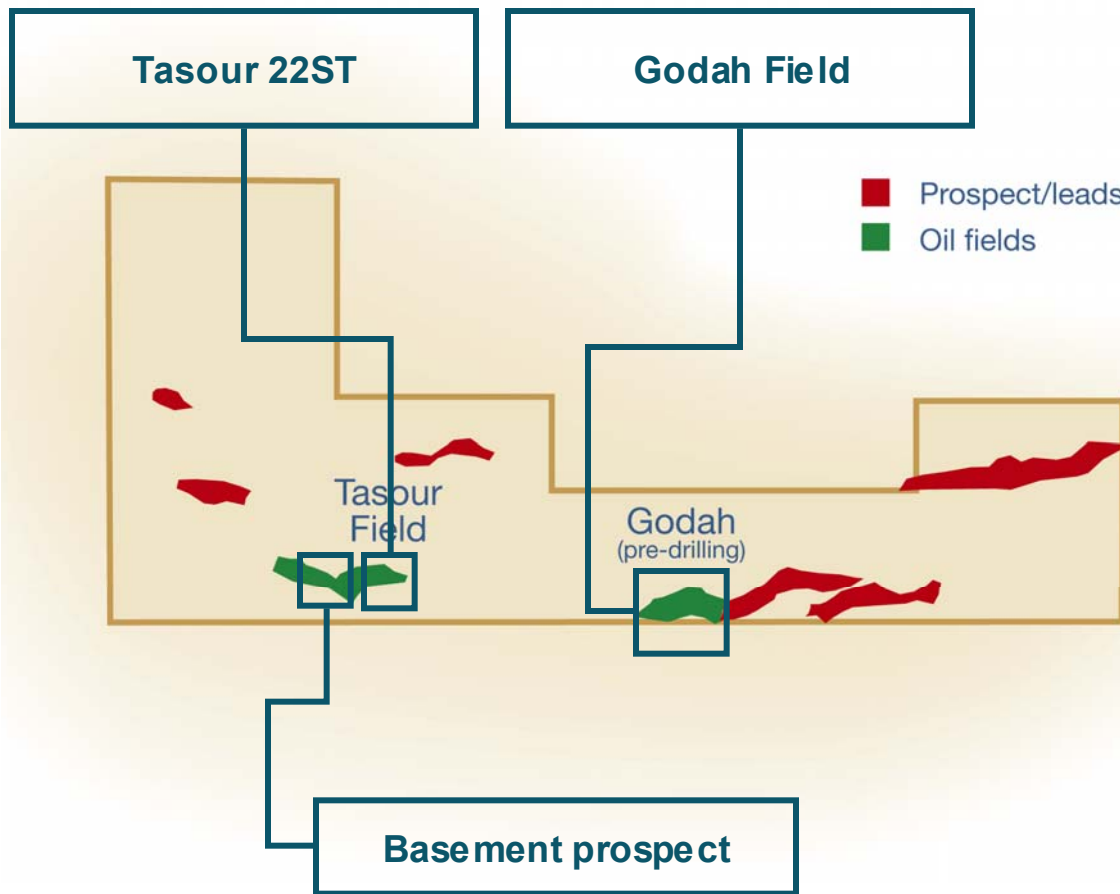
## PRODUCTION UPDATE



- 2006 YTD production from Yemen increased by 21 percent
- Nabrajah production below plan
- Godah Field will add new production
- Infill & appraisal wells at Tasour and Sharyoof aimed at arresting the decline

# YEMEN BLOCK 32

## CURRENT ACTIVITIES



### Tasour Field

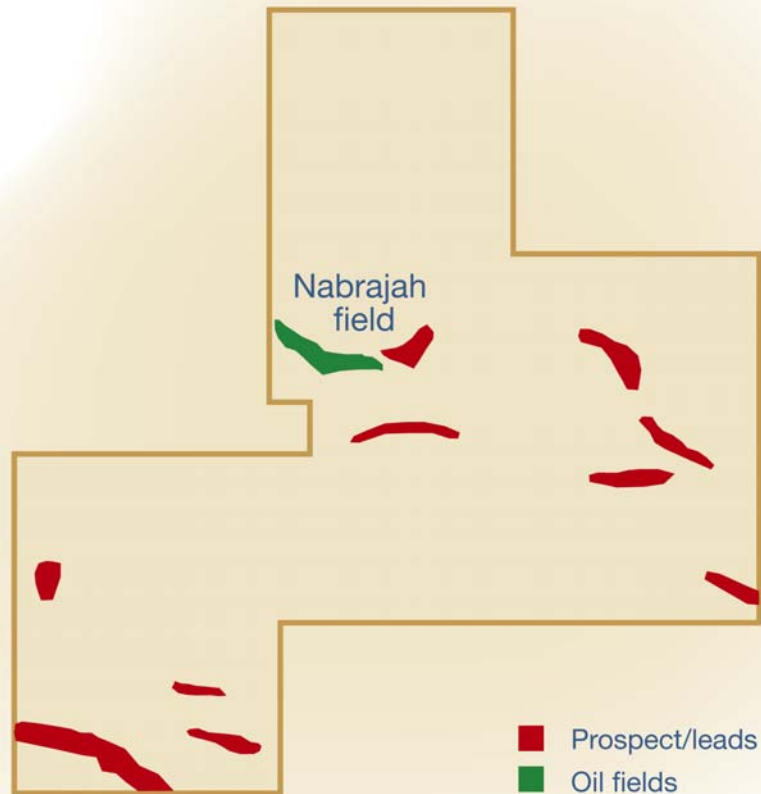
- Tasour 22ST on TD, to be tested
- Next well to be drilled is a basement prospect

### Godah Field

- Oil production to commence Q406 with estimated initial gross production of 2000 – 4000 BOPD.
- Further drilling on is planned next 6 months.
- Reserves to be reported after incorporating new 3-D seismic, new wells and production information.

# YEMEN BLOCK 43

## CURRENT ACTIVITIES



### Nabrajah # 11 test from Kohlan /upper basement

- Flowed max 650 BOPD after ESP installation (not-sustainable)
- Nabrajah #11 may be re-entered at a later stage for further stimulation and re-testing
- Further stimulation and testing of Nabrajah 9 and Nabrajah 10 will be considered.

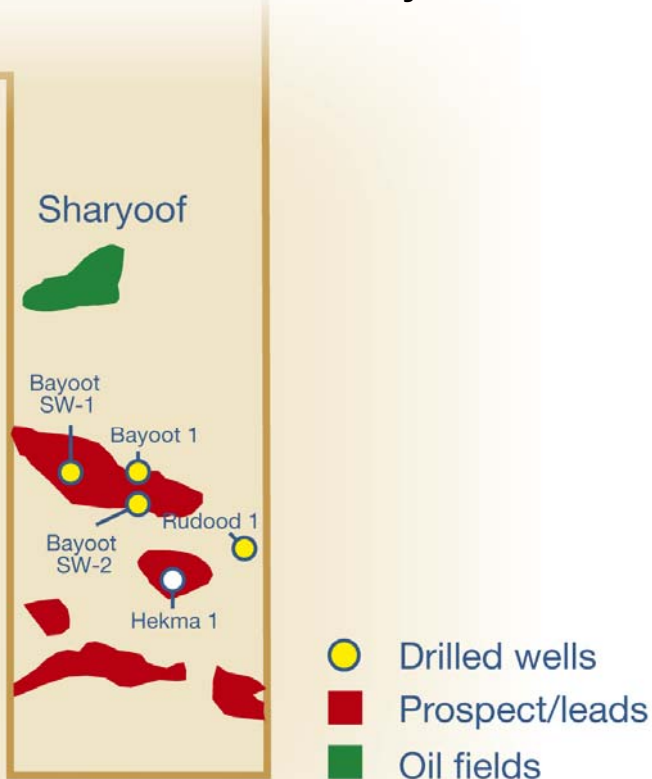
### Planned activities

- Commissioning of water handling and gas injection facilities
- 3-D seismic within Nabrajah area completed – will serve as important input to new well locations and reserve revision
- One exploration well to be drilled before new Nabrajah wells

# YEMEN: BLOCK 53

## CURRENT ACTIVITIES

### Prospective area close to Sharyoof Field

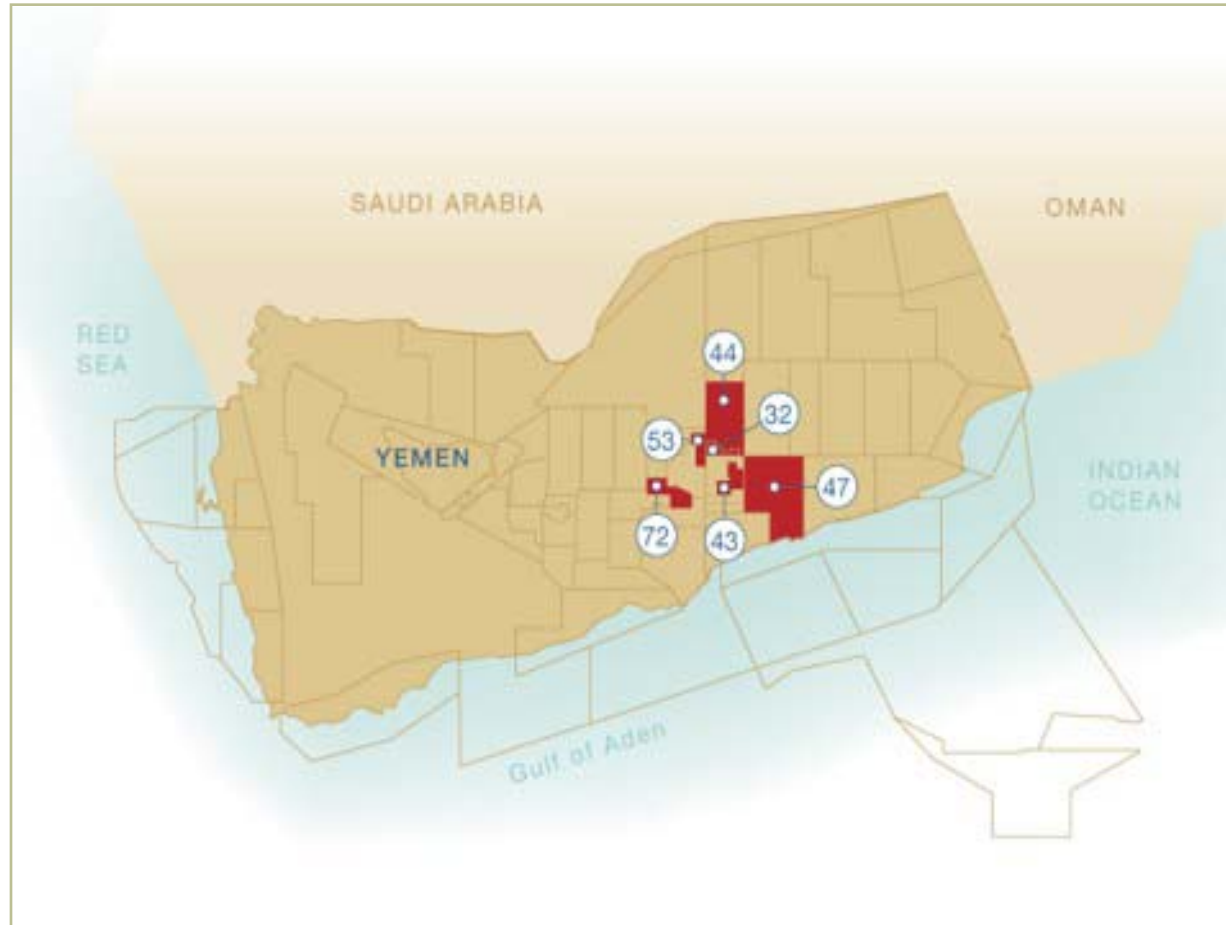


### Basement and overlaying carbonates:

- Bayoot SW # 1: currently testing carbonates overlaying basement with smaller rig.
- Bayoot SW # 2: Drilled to a total depth of 3488 meter (MD) some 436 meters into basement.
- Bayoot SW 2 observations: Good oil and gas shows combined with mud losses while drilling basement and overlaying carbonates; Well will be tested after Bayoot SW # 1.
- Next well to be drilled is Hekma # 1.
- Distance to Sharyoof is approximately 10 km.
- If commercial flowrates are achieved, production can be tied-back to Sharyoof.

# YEMEN

## CONTINUED HIGH DRILLING ACTIVITY



**Yemen drilling plan next 18 months - > 30 wells:**

- **Operated by DNO**
  - BL32, 43, 44, 47, 72
  - 12 Exploration wells
  - 12 appraisal / development wells
- **Operated by others**
  - BL 53
  - 6 exploration wells plus development wells (plan yet to be finalised)



# NORTHERN IRAQ EXPLORATION UPDATE



## Operations to date

- Acquisition of 440 km 2D seismic Tawke
- Drilled and tested Tawke # 1
- Drilled Tawke # 1A, currently testing
- Acquired 3-D seismic across Tawke
- Commenced drilling Kanke # 1 with second drilling rig in July

## Forward plan

- Complete Tawke # 1A testing
- Drill Tawke # 2 appraisal well and Tawke # 3 exploration well
- Finish Kanke # 1 and continue exploration drilling in others areas
- Finalise early production plan with first oil planned for Q1 2007

## Tawke Early Production Plan

- Plan is based on test production of 5.000 BOPD achieved from both Tawke # 1 and repeated in Tawke # 1A (open hole)
- Investments in facilities and pipeline have been made – production capacity yet to be defined
- Additional producers planned to be drilled before start-up of production





## **Short to medium term Exploration & Appraisal Strategy**

### **Tawke Area**

- **Finalise open hole testing of additional intervals in Tawke # 1A (< 1000 meters)**
- **Testing of deeper level(s) in Tawke # 1 (> 2000 meters)**
- **Drilling Tawke # 2 appraisal well**
- **Evaluate 3D seismic and locate new wells**
- **Drilling Tawke # 3 exploration well**
- **Prepare next stage development plan for Tawke**

### **Other areas**

- **Finalise drilling Kanke # 1, and continue exploration in other areas**
- **Acquire more 2-D seismic to identify additional prospects**

# NORTHERN IRAQ

## TAWKE #1 & 1A EACH TESTED 5,000 BOPD

**Collecting oil for local use**



**Flaring oil at well site**



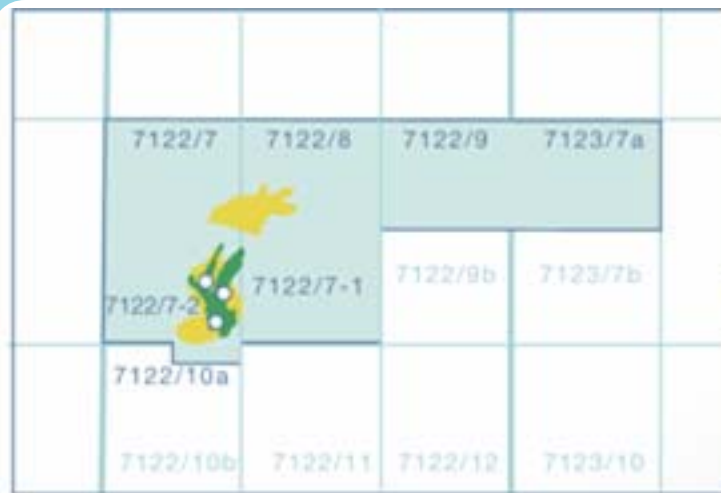




# **NORTHERN EUROPE:** **EXPLORATION AND PRODUCTION UPDATE**

# GOLIAT OIL DISCOVERY

## Potential for increased reserves

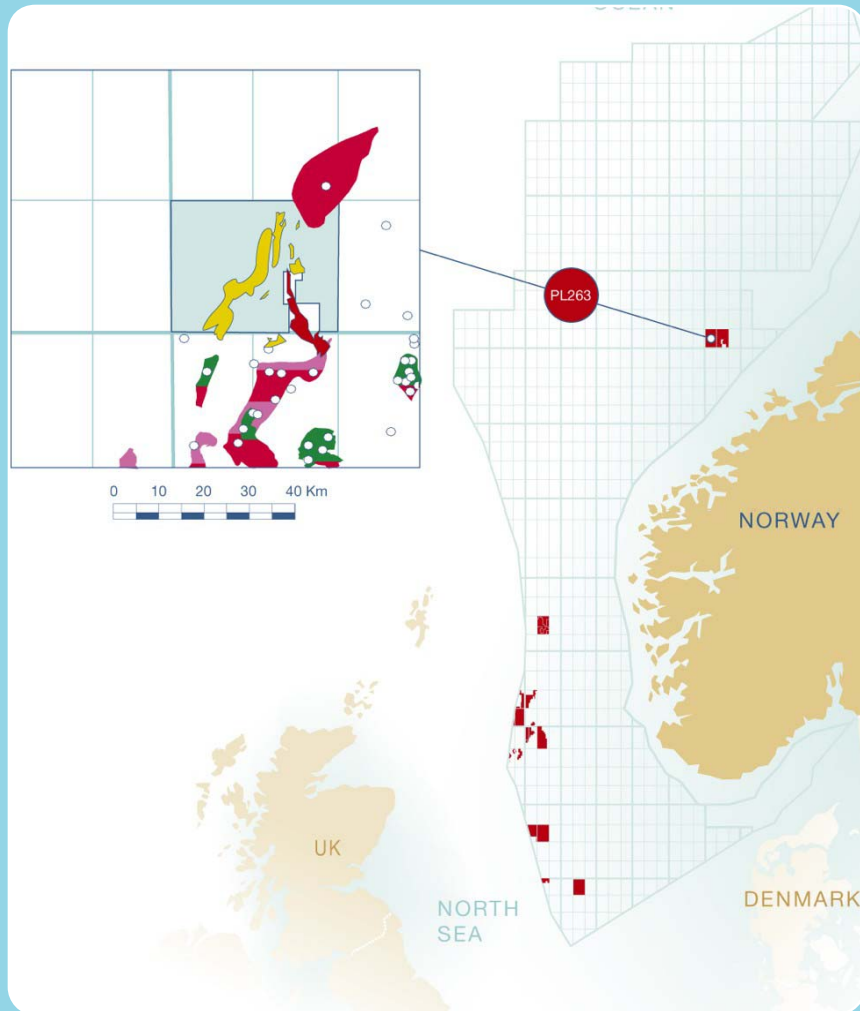


**Recoverable P50 reserves substantially higher than initially anticipated**

- 250 million barrels (P50) - 37,5 million barrels net to DNO
- First of two wells program to commence in September 2006
- Western prospect has the potential of "several hundred million barrels", according to announcement made by Operator ENI

# ZITA PROSPECT

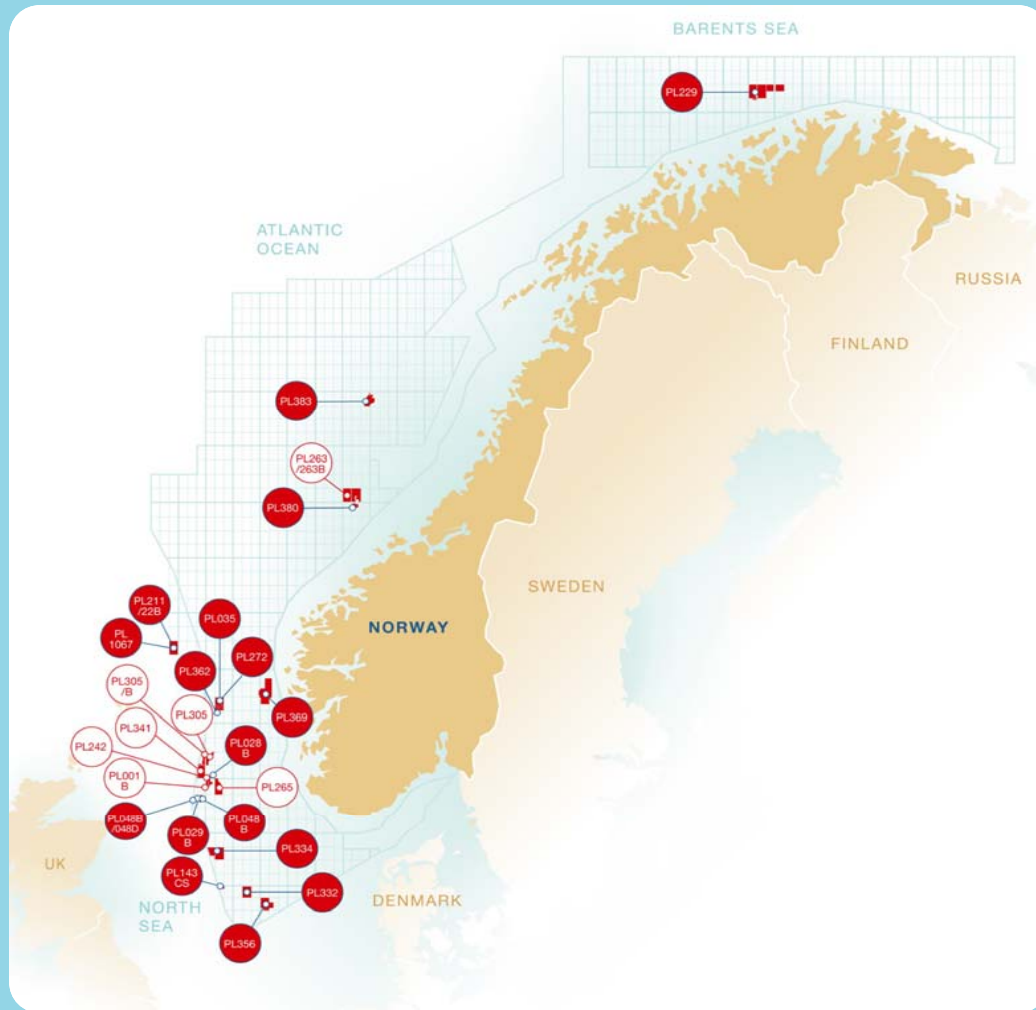
Exciting potential



## PL 263/263B Zita (30%)

- One exploration well planned to commence in October 2006 (Norsk Hydro is Operator)
- P50 unrisked prospect resource potential is approx. 200 million barrels – 60 million barrels net to DNO

# NORTHERN EUROPE HIGH POTENTIAL PROSPECTS



**7+ wells to be drilled on  
NCS next 18 months:**

## Operated by DNO

- Lie, Torkildsen, Draupne
- 3 exploration wells  
(commencing Q1 2007)

## Operated by others

- Goliat, Zita, Ragnarrock
- 4 exploration wells
- Plus additional drilling at  
Goliat in 2007



# 18 MONTHS DRILLING PLAN

Participate in > 40 wells

**NORWAY**

7+ exploration wells

**N. IRAQ**

Continuous drilling with two rigs

**EQ. GUINEA**

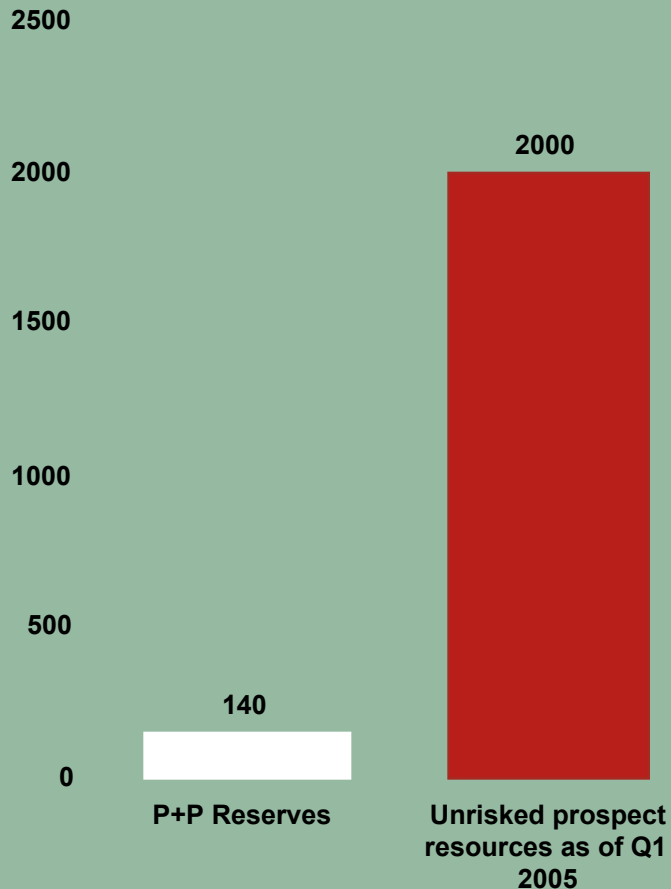
2 exploration / appraisal wells

**YEMEN**

Approximately 30 wells – of which 15 is expected to be exploration wells

# NEXT 18 MONTHS EXCITING AND DEMANDING

Substantial upside potential



## Adding value through

- Increased exploration drilling
- Continue to transfer resources to reserves at low costs
- Maximise production from current assets
- Achieving first oil production from Northern Iraq in Q1 2007

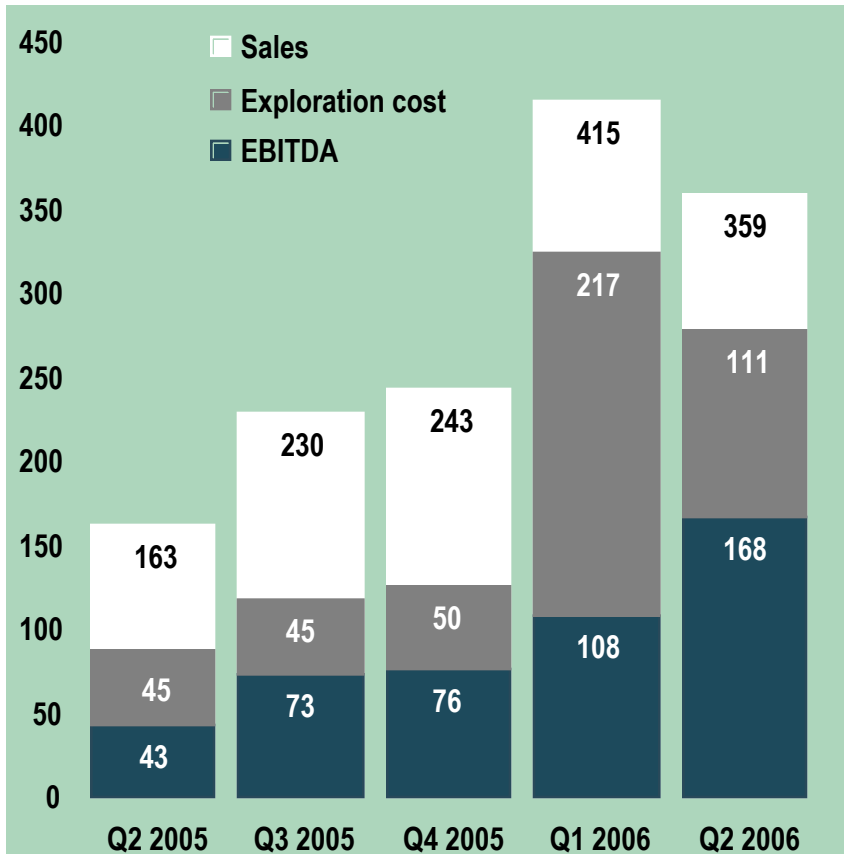


# FINANCIAL REVIEW

# FINANCIAL SUMMARY

## BUILDING ON DNO'S BUSINESS MODEL

Quarterly Key Figures (NOK Million)



### Adding value through exploration led strategy...

- Confirming resource potential through 40% reserve growth in Q2
- High investments in seismic data acquisition
- Extensive exploration and appraisal drilling

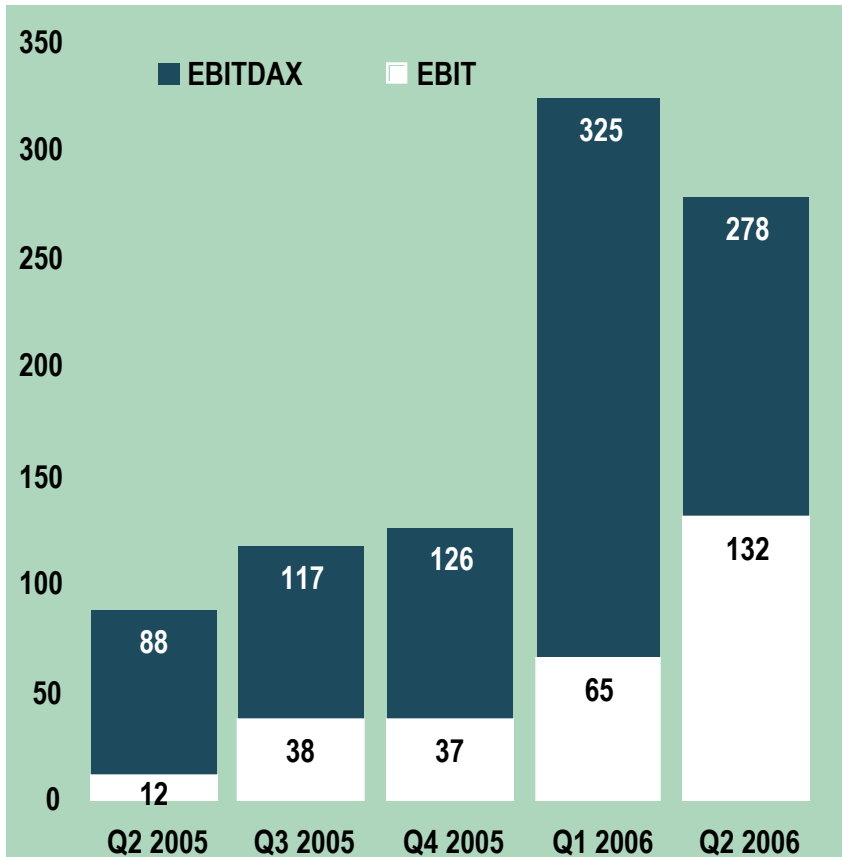
### ...while maintaining strong financial performance

- Solid operating profit and cash flow
- Financial strength intact

# FINANCIAL SUMMARY

## EBIT AND EBITDAX

Producing assets (NOK Million)



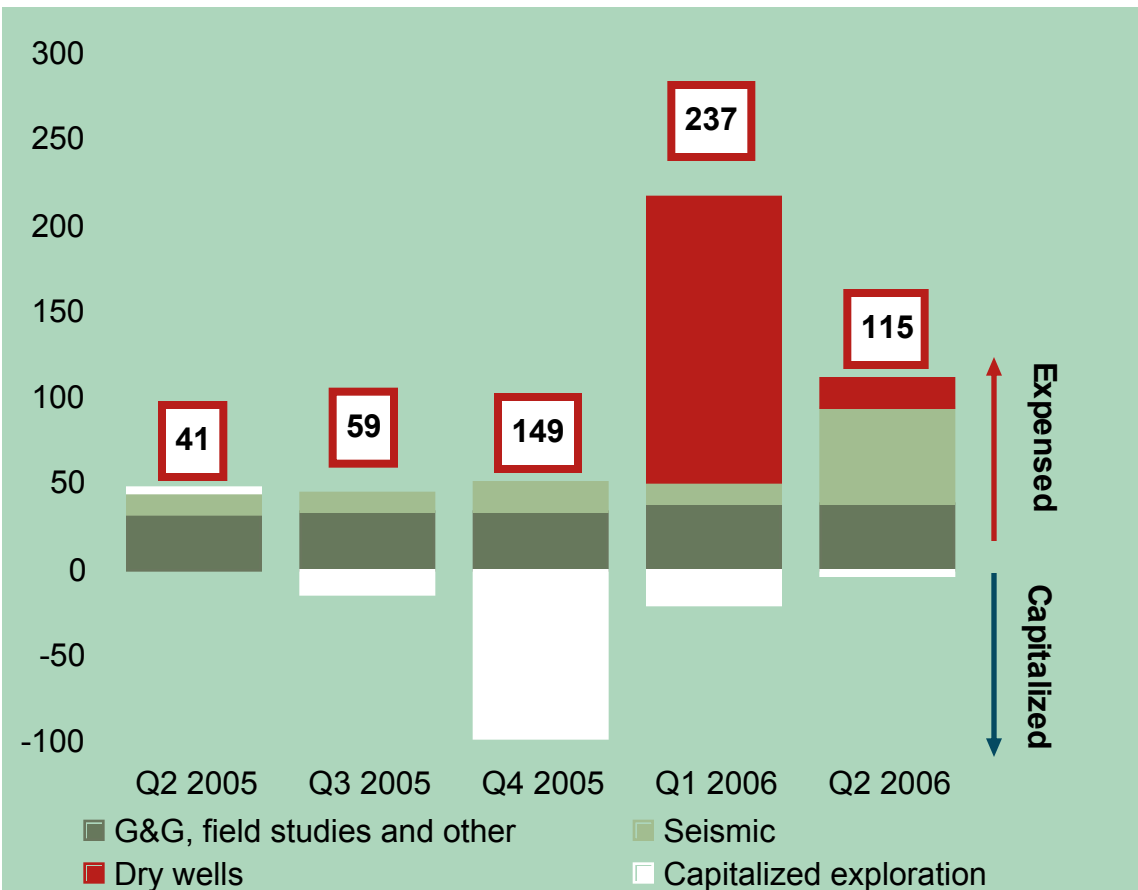
### Increasing cash flow and operating profit

- **Strong increase (286% YTD) in cash flow before exploration and tax (EBITDAX)**
  - Production growth
  - Higher achieved oil prices
  - Low cost base
- **Increasing operating profit, after coverage of higher exploration expenses in 2006**

# FINANCIAL RESULTS

## EXPLORATION ACTIVITY

Expensed and capitalized exploration (NOK Million)



### High level of exploration investments in Q2

- Expensing of NOK 57 mill. acquisition cost for several seismic surveys
- Dry well of NOK 16 million

# FINANCIAL SUMMARY

## KEY FIGURES

| WI Production (mmboe)       |
|-----------------------------|
| WI Production per day (noe) |
| WI Reserves (mmboe)         |

| Q2 2006 | Q2 2005 |
|---------|---------|
| 1,317   | 1,212   |
| 14 470  | 13 322  |
| 139,0   | 74,7    |

| YTD 2006 | YTD 2005 |
|----------|----------|
| 2,837    | 2,479    |
| 15 675   | 13 694   |
| 139,0    | 74,7     |

| Last 12M | 2005   |
|----------|--------|
| 5,739    | 5,380  |
| 15 726   | 14 741 |
| 139,0    | 71,8   |

| NOK Million                      |
|----------------------------------|
| EBITDA                           |
| Netback                          |
| Acquisition and development cost |
| Exploration cost expensed        |

| Q2 2006 | Q2 2005 |
|---------|---------|
| 167,6   | 43,0    |
| 78,4    | -0,1    |
| 174,8   | 128,5   |
| 110,8   | 44,6    |

| YTD 2006 | YTD 2005 |
|----------|----------|
| 275,4    | 145,3    |
| 157,6    | 108,2    |
| 324,3    | 195,1    |
| 327,6    | 65,6     |

| Last 12M | 2005  |
|----------|-------|
| 424,1    | 293,9 |
| 213,9    | 164,5 |
| 675,0    | 545,8 |
| 422,5    | 160,6 |

| USD/boe              |
|----------------------|
| Achieved sales price |
| Lifting cost         |
| DD&A                 |
| EBITDA               |

| Q2 2006 | Q2 2005 |
|---------|---------|
| 69,01   | 48,70   |
| 7,61    | 5,79    |
| 4,29    | 3,98    |
| 32,2    | 9,5     |

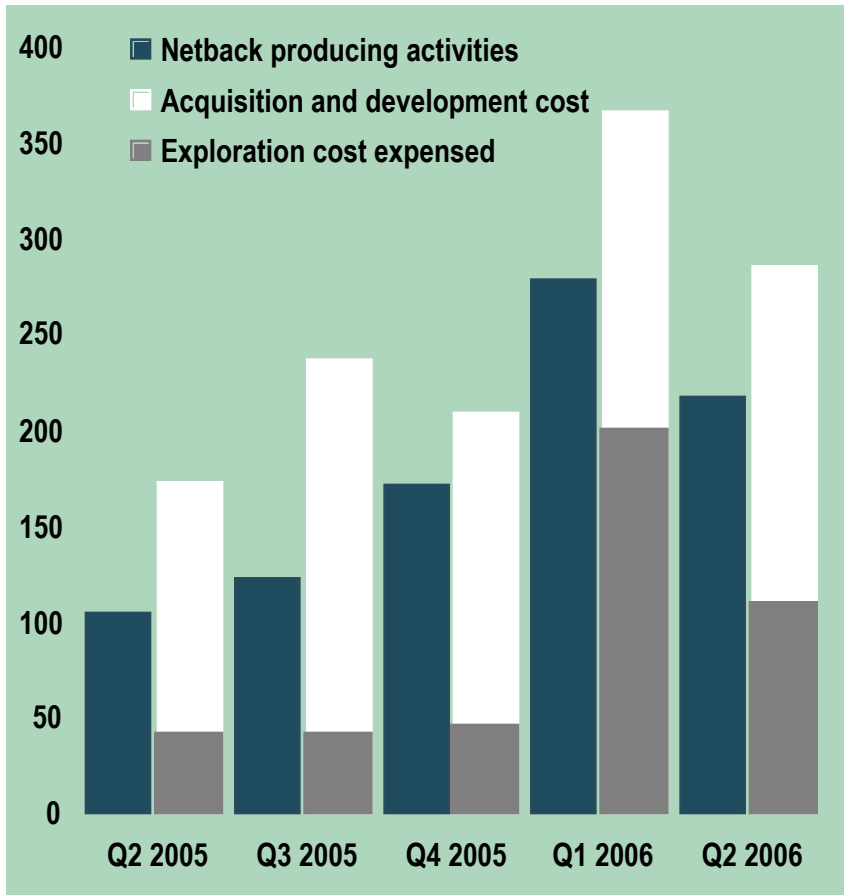
| YTD 2006 | YTD 2005 |
|----------|----------|
| 64,28    | 46,21    |
| 7,74     | 6,15     |
| 4,23     | 3,95     |
| 22,9     | 15,7     |

| Last 12M | 2005  |
|----------|-------|
| 60,39    | 51,65 |
| 7,73     | 7,01  |
| 4,20     | 4,08  |
| 18,62    | 14,39 |

# RESULT OF OPERATIONS

## NETBACK TO INVESTMENT COVERAGE

Netback (RoO) to Total Investments (NOK million)



### Increasing investments

- YTD increase of 250 percent

### Strong netback coverage

- YTD netback coverage to total investment of 76 percent
- YTD netback coverage of exploration cost expensed of 151 percent

### In line with DNO's strategy

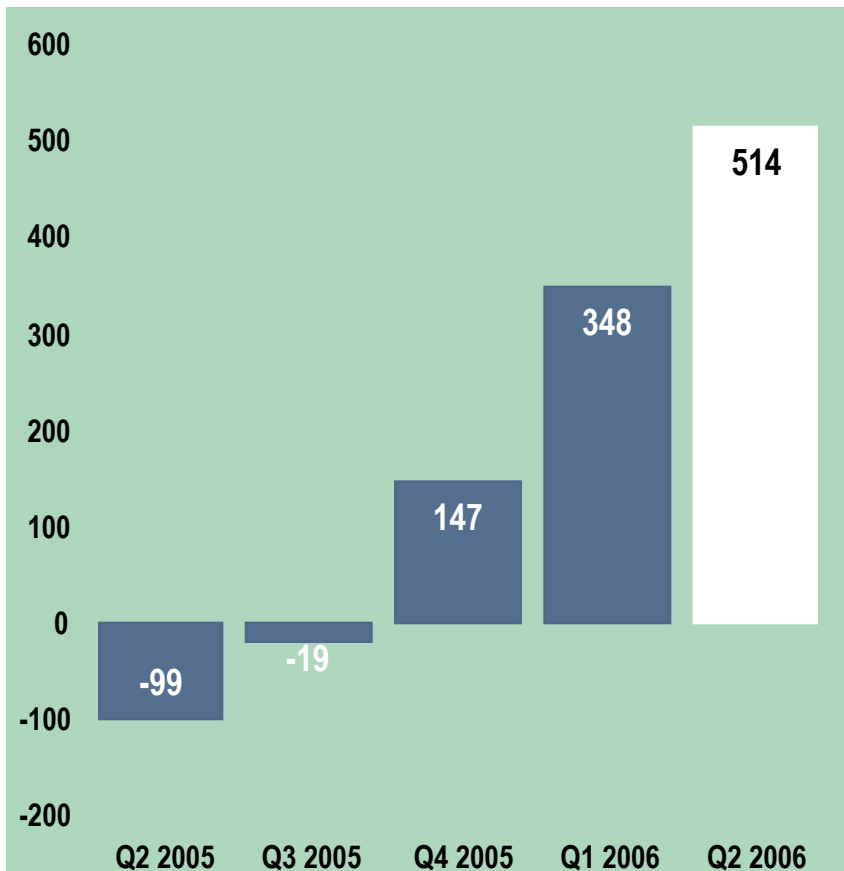
- Reinvesting cash flow from high margin production



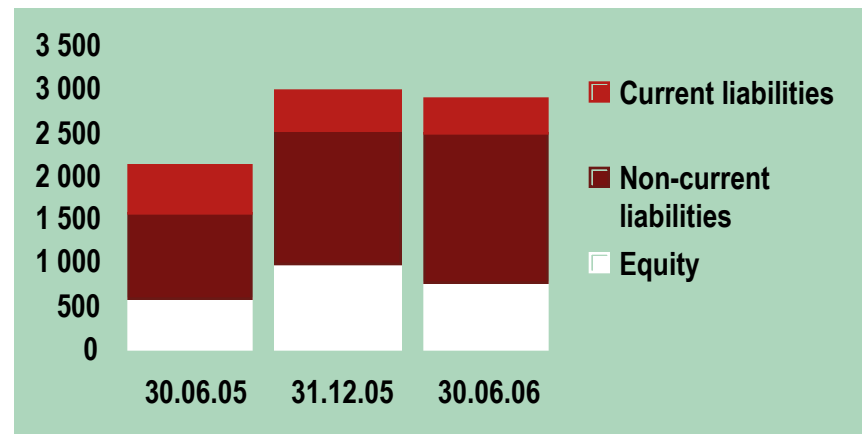
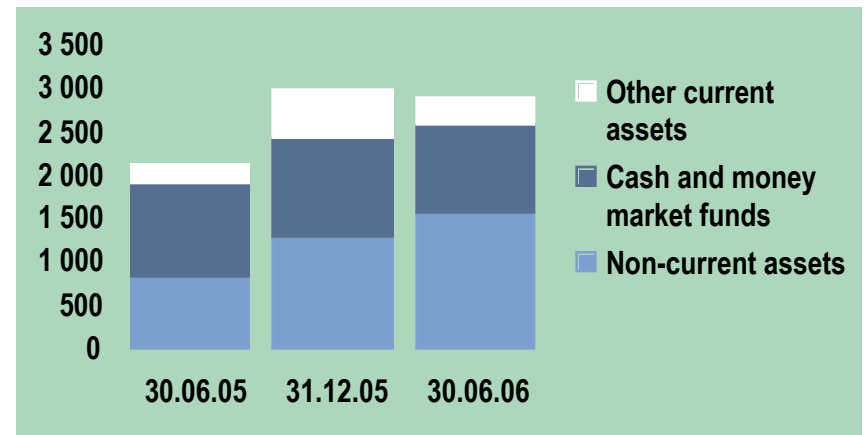
# FINANCIAL RESULTS

## CAPITAL STRUCTURE

Net interest bearing debt (NOK million)



Balance Sheets (NOK Million)

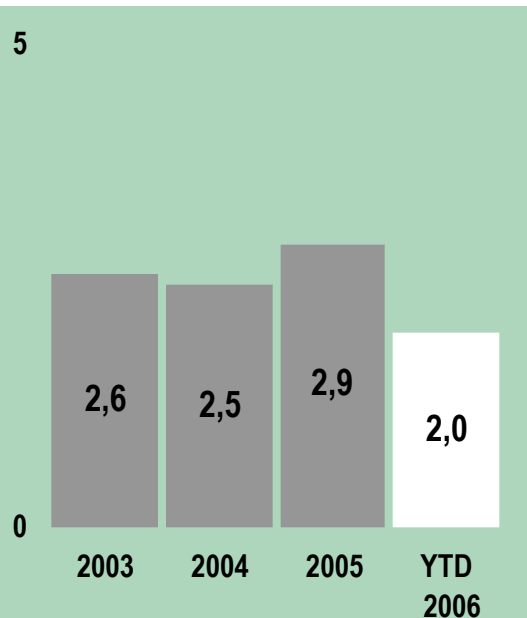


# INVESTMENTS

## OUTSTANDING RESERVE ECONOMICS

FDA (P+P)

**2.0 USD/bbl**



Low cost reserve additions

Recycle Ratio (P+P)

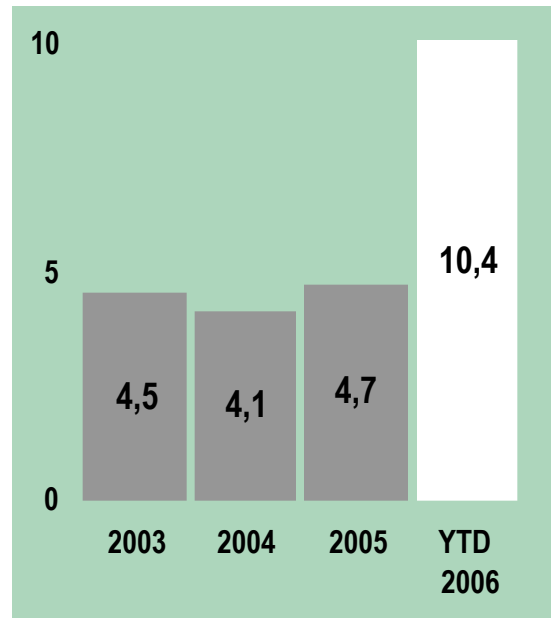
**8.2 times**



High netback - funding exploration

Reserve Replacement (P+P)

**10.4 times**



Building higher reserves

3 years rolling average

# SECOND HALF 2006 OUTLOOK

## Continuing Investments

- Exploration spending near forecast NOK 650 mill. in 2006
- Development CAPEX above 2006 forecast due to added Iraq investment
- DNO participation in 28 wells of which 17 exploration wells in 2006

## Production Estimates

- Revised 2006 production guidance of 15.000 bopd
- Exit daily rate 2006 projected to 15.000 bopd

## Exciting Drilling Activity Next Six Months

- Zita and Goliat wells in Norway
- 2 rigs drilling full time for DNO in Northern Iraq
- Several new wells in Yemen

## Reserve Growth

- 100 percent organic reserve growth YTD
- Targeting substantial un-risked resource potential

The background of the slide is a grayscale photograph of an offshore oil rig. The rig is a tall, complex structure with a derrick, situated on a platform in the middle of a body of water. In the distance, there are low, rolling hills or mountains under a hazy sky. The foreground shows a dark, rocky shoreline.

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