DNO INTERNATIONAL ASA
INTERIM REPORT FOURTH QUARTER 2010

Photo: Hans Fredrik Asbjørnsen

REVENUES **NOK MILLION**

302.0

EBITDA **NOK MILLION**

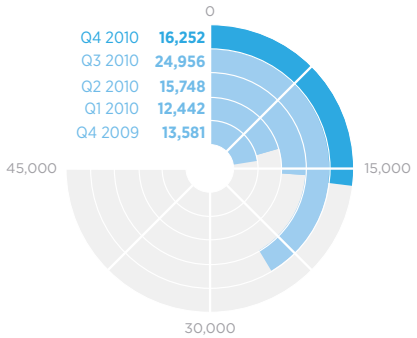
159.3

NETBACK **NOK MILLION**

139.9

TOTAL PRODUCTION **BOPD**

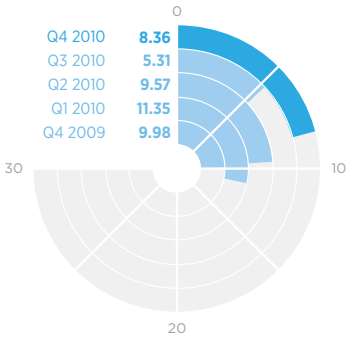
16,252



DNO working interest production per day.

LIFTING COST **USD/BBL**

8.36



Key figures

NOK million	Q4 2010	Q3 2010	Q2 2010	Q1 2010	Q4 2009	Full year 2010	Full year 2009
Key financials [1]							
Sales	302.0	406.6	284.7	258.6	225.9	1,251.8	869.0
Gross profit	157.3	221.4	129.0	125.3	90.2	633.1	209.7
Profit/(loss) from operating activities	86.8	-123.5	99.0	94.5	-75.2	156.8	-179.1
Net profit/(loss)	-30.9	-145.7	-121.1	14.9	-384.5	-282.9	-269.6
EBITDA	159.3	-12.3	171.2	155.6	-8.7	473.7	121.9
Netback	139.9	-39.6	140.6	138.7	-44.2	379.6	29.8
Acquisition and development cost	54.3	-8.8	36.5	69.5	34.5	151.6	672.8
Exploration cost expensed	25.3	3.1	11.1	16.6	15.1	56.2	155.8
Price and production							
Working interest production (mboe)	1.495	2.296	1.433	1.120	1.250	6.344	4.484
Working interest production per day (boe)	16,252	24,956	15,748	12,442	13,581	17,381	12,285
Net entitlement production (mboe)	0.975	1.487	0.896	0.740	0.793	4.099	3.064
Net entitlement production per day (boe)	10,602	16,161	9,849	8,225	8,622	11,229	8,394
Achieved sales price, (USD/bbl) net entitlement	53.54	44.99	51.88	61.55	51.44	51.49	47.37
Key performance indicators							
Lifting cost, (USD/bbl)	8.36	5.31	9.57	11.35	9.98	8.05	13.05
DD&A, (USD/bbl)	12.75	12.25	13.03	14.39	15.01	12.96	16.10
Netback (USD/bbl)	16.20	-2.84	16.14	21.82	-6.37	10.13	0.61

[1] As stated in the Q4 2009 report, export revenues from the Tawke field in Kurdistan during Q3 and Q2 2009 have been excluded in the key financial figures.

"2010 was a positive year for DNO, with good increase in production and improved financial result. The recent development in Iraq and our ongoing exploration activities provide a good basis for further improvement in 2011."

Helge Eide, Managing Director

Highlights

- **Operating revenues for 2010 increased to NOK 1,252 million (44%), compared with 2009, due to increased production from the Kurdistan Region of Iraq and higher oil prices in Yemen. For the fourth quarter, the revenues were NOK 302 million versus NOK 226 million the same period last year.**
- **The operating results were also strengthened with an EBITDA of NOK 474 million compared to NOK 122 million in 2009, and a netback of NOK 380 million (NOK 30 million in 2009). In the fourth quarter, the EBITDA and netback were NOK 159 million (NOK -9 million) and NOK 140 million (NOK -44 million) respectively.**
- **Adjusted for NOK 330 million in provision for special items mainly in the third quarter, the full year EBITDA and netback increased to NOK 804 million and NOK 710 million, respectively.**
- **The financial position was improved by the solid operations and new equity proceeds, leading to an increase in cash balances of NOK 1,081 million to NOK 1,385 million at year-end.**
- **New exploration drilling commenced in the fourth quarter, with positive indications from ongoing wells both in Yemen and the Kurdistan Region of Iraq.**
- **In Block 47 in Yemen, the field development plan for the first phase of the Yaalen discovery was approved by the partners in the fourth quarter.**

Content

Photo: Hans Fredrik Asbjørnsen

Increased production and encouraging exploration results

The production increased by 34% from the year before, and backed by higher oil prices the Company delivered improved operating cash flow. The exploration drilling program will continue in 2011 with several high impact wells to be drilled.

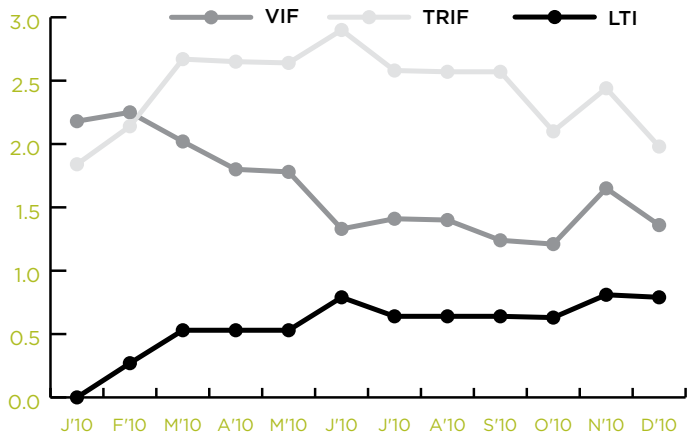
HSE

During 2010, DNO has continued to deliver good results within Health, Safety and Environment. We set three ambitious goals for the year and reached them all with a robust margin. These results have been delivered simultaneously as we have increased our reporting frequency in line with the strategy. The results are produced with a special focus on development of competence, a sound Business Management System including a risk management programme, reporting and continuous improvement, in addition to knowledge sharing across business units and borders. The Company is continuously monitoring the security situation with a special focus on Yemen after a somewhat deteriorating development during the year.

At year-end, the status within HSE performance was as follows (incident frequency per one million manhours):

Vehicle incident frequency (VIF):	1.4
Total recordable incident frequency (TRIF):	2.0
Lost time incident frequency (LTI):	0.8

HSE Performance Trends (Jan 10–Dec 10)



PRODUCTION

DNO's working interest (WI) production in the fourth quarter was 16,252 bopd compared with 13,581 bopd in the fourth quarter of 2009. The net entitlement (NE) production was 10,602 bopd in the quarter, at an average realized oil price of USD 53.5/bbl, versus 8,622 bopd and USD 51.4 in the same quarter the previous year.

For the full year, the WI production was 17,381 bopd versus 12,285 bopd in 2009. The 2010 NE production was 11,229 bopd compared to 8,394 bopd in 2009. The production figures quoted for 2009 are excluding export volumes from Tawke.

The WI production from the Tawke field in the Kurdistan Region of Iraq was 10,095 bopd and the NE production was 6,730 bopd in the quarter, and 10,661 bopd WI and 7,107 bopd NE for the full year. The deliveries from Tawke include both crude oil to the local market as well as to the Tawke refinery. During November, low volumes were produced, but deliveries under new contracts recommenced in the beginning of December. Local sales volumes have further increased in January 2011. At the time of reporting, preparations have started for re-start of export of crude oil from the Tawke field in the first quarter 2011.

The fourth quarter WI production from Yemen was 6,156 bopd and the NE production 3,872 bopd. There is an overall decline in production as expected, but production is maintained at a higher level than forecasted. A successful Godah-12 infill well improved production from the Godah field in Block 32. In Block 53, the infill well Bayoot-10 contributed significantly to increase in production from the Basement formation, and the production from this field is now back to a total level of more than 5,000 bopd (gross). To follow up the successful Bayoot-10 well, the partners in Block 53 are considering commencing further drilling in the third quarter of 2011. For the year 2010, the WI production from Yemen was 6,720 bopd (7,749 bopd in 2009) and NE was 4,122 (versus 5,358 bopd in 2009).

Production working interest						Full year	
mboe	**Q4 '10**	**Q3 '10**	**Q2 '10**	**Q1 '109**	**Q4 '09**	**2010**	**2009**
Yemen	0.566	0.597	0.620	0.669	0.704	2.453	2.828
Kurdistan local prod	0.929	1.699	0.814	0.450	0.545	3.891	1.656
Kurdistan export	-	-	-	-	-	-	3.367
Total	**1.495**	**2.296**	**1.433**	**1.120**	**1.249**	**6.344**	**7.851**

						Full year	
bopd	**Q4 '10**	**Q3 '10**	**Q2 '10**	**Q1 '109**	**Q4 '09**	**2010**	**2009**
Yemen	6,156	6,494	6,808	7,437	7,655	6,720	7,749
Kurdistan local prod	10,095	18,462	8,940	5,005	5,926	10,661	4,537
Kurdistan export	-	-	-	-	-	-	9,226
Total	**16,252**	**24,956**	**15,748**	**12,442**	**13,581**	**17,381**	**21,511**

Production net entitlement						Full year	
bopd	**Q4 '10**	**Q3 '10**	**Q2 '10**	**Q1 '109**	**Q4 '09**	**2010**	**2009**
Yemen	3,872	3,852	3,890	4,889	4,738	4,122	5,358
Kurdistan local prod	6,730	12,308	5,960	3,337	3,884	7,107	3,036
Kurdistan export	-	-	-	-	-	-	6,150
Total	**10,602**	**16,161**	**9,849**	**8,225**	**8,622**	**11,229**	**14,544**

The tables above reflects DNO's production including diesel. For information purposes, Kurdistan export volumes in 2009 are shown in the tables, but excluded in all financial figures.

APPRAISAL AND FIELD DEVELOPMENT

At the Tawke field in the Kurdistan Region of Iraq, the construction of well flowlines to connect the T3 and T12 wells with the Central Processing Facility (CPF) commenced in the fourth quarter, and is progressing according to plan.

A cost saving project on the Nabrajah field in Block 43 in Yemen, to replace diesel by gas as fuel, was also initiated during the quarter and will reduce the operating costs for the field going forward.

In the fourth quarter, the partners in Block 47 agreed and approved to develop the Yaalen and Sharnah oil discoveries. Phase 1 of the Yaalen development will be based on the concept of local processing facilities with capacity of 5,000 bopd and trucking oil to the Nabrajah installations, for further export into the existing pipeline system. The bidding documents for the main equipment are being prepared, and the project time-schedule now indicates that first oil will be exported in the first quarter 2012. The project start up is subject to certain procedures and approvals by the authorities.

EXPLORATION

In the Erbil PSC in the Kurdistan Region of Iraq, the exploration well Bastora-1 was spudded 7 September with the DQE Rig-9. The well was drilled as planned to a depth of 3,600 meters and oil shows were observed during drilling of several of the prospective zones. Two tests were undertaken in the lower part of the Cretaceous interval, both flowing water. The third and fourth tests in the Cretaceous have now been completed and flow rates of 400-600 barrels per day of 16-20 API per test were achieved. The tests were undertaken after acid stimulation of the perforated interval, and the well was flowed using a submersible jet pump. The well flow was not fully stabilized during the tests. Various options for improving the flow rates from these zones will be investigated, including a possible horizontal side-track to undertake a long term production test. Additional two tests are planned to be undertaken in the well. Once the full test program is completed and the results are evaluated, a further update will be reported to the market.

Drilling of the Summail-1 commitment well in the Dohuk PSC is now estimated to commence during March 2011. The rig was returned to DNO on 23 January 2011, and service and required repairs are currently being undertaken. Following drilling of this well, the current plan is to move the rig to the Tawke PSC area and drill the exploration well Peshkhabir-1. A 2D seismic campaign has been completed in the fourth quarter, and will assist in selecting an optimal well site.

In Block 72 in Yemen, the drilling of Gabdain-1 commenced on 19 November. The well was targeting the fractured Basement formation. Wire line logs indicated oil saturation in the Kohlan sandstone overlaying the Basement and an oil sample was collected by the use of a wire line tool from this interval. Hydrocarbon charged fractures were also observed while drilling the upper Basement interval. An open hole test was conducted on the Basement interval, but no flow to surface was achieved due to the limited fractures encountered in the wellbore at this location. Following the Basement test, a 15 meter interval was perforated in the Kohlan sandstones. The Kohlan was placed on test using a small electric submersible pump. The well continued to clean up and was producing at an unstabilized rate of approximately 130-180 barrels per day of 39° API oil at the end of the five-day test. The Block 72 partners have agreed to drill the well Gabdain-2 which will target a Qishn reservoir prospect penetrated down-dip at the Gabdain-1 location. The spud date for this new well was 11 February 2011.

A first draft is made for the new Block 48 PSA and negotiations will start during the first quarter 2011. DNO has a participating interest of 87.5% and the Ministry has a carried interest of 12.5%. Fractured Basement and Kohlan sandstones will be two important targets for exploration in Block 48.

In Mozambique, the Chite-1 well was spudded on 19 November and reached the total depth at the end of the December. No hydrocarbons were detected in the well, but valuable geological and stratigraphical information has been collected to further assist in evaluating the hydrocarbon potential in the Inhaminga Block. DNO will continue exploration in the Block and has exercised an option with the rig contractor to drill a second well, on the Inhaminga High location. Work has been undertaken to prepare the well site, and spud date was 13 February 2011.

Improved operational results and cash flow

REVENUES, PROFITS AND CASHFLOW

In the fourth quarter, the total operating revenues were NOK 302 million compared to NOK 226 million in the same quarter of 2009. For the year 2010, the operating revenues were NOK 1,252 million, an increase of 44% from the year before. The increase from 2009 is due to increased local deliveries from the Tawke field in the Kurdistan Region of Iraq and higher oil prices from our Yemen production.

Backed by higher production and prices, the fourth quarter operating profit was NOK 87 million compared to a loss of NOK 75 million in the fourth quarter 2009. Net loss for the quarter was NOK 31 million, compared with loss of NOK 385 million in the same quarter last year. The netback increased to NOK 140 million, versus a loss of NOK 44 million last year.

The net finance costs in the quarter were NOK 127 million, mainly due to calculated interest costs in relation to the water purification project in the Kurdistan Region of Iraq (NOK 37 million) in accordance with new estimates and IFRS accounting standards, as well as a correction in unrealized exchange rate effects mainly related to the third quarter (NOK 68 million).

The operating profit for the full year was NOK 157 million compared to a loss of NOK 179 million the year before. The netback was NOK 380 million versus NOK 30 million in 2009. Adjusted for NOK 330 million related to special items in the third quarter, the full year operating profit and netback increased to NOK 487 million and NOK 710 million, respectively.

The cash position increased to NOK 1,385 million at the end of the year, supported by solid operating cash flow of NOK 525 million, NOK 360 million in capital proceeds from an equity private placement, as well as NOK 367 million from divestment of treasury shares.

Netback Variance Analysis (NOK million)	Variation
Netback fourth quarter 2009	**-44.2**
Production	52.3
Oil price	11.3
Exchange rates	12.6
Operating expenses	91.9
Taxes paid	16.2
Netback fourth quarter 2010	**139.9**
Netback full year 2009	**29.8**
Production	319.9
Oil price	104.0
Exchange rates	-40.9
Operating expenses	-30.9
Taxes paid	-2.0
Netback full year 2010	**379.6**

Netback is calculated as EBITDA adjusted for paid taxes.

COSTS OF GOODS SOLD

In the fourth quarter, the total cost of goods sold were NOK 145 million compared to NOK 136 million in the same period last year. Cost control projects in Yemen serve to reduce the lifting costs.

Lifting costs

Lifting costs were NOK 72 million in the fourth quarter, compared to NOK 69 million in the fourth quarter of 2009. The lifting costs per barrel were USD 8.4 per barrel – a reduction from USD 10.0 per barrel in the same period last year. In Yemen, the lifting cost per barrel is at USD 15 per barrel, the same as in 2009, despite a declining production. The major reduction is related to the successful diesel savings projects in Block 32 and Block 43.

Lifting cost						Full year	
NOK mill	**Q4 '10**	**Q3 '10**	**Q2 '10**	**Q1 '10**	**Q4 '09**	**2010**	**2009**
Yemen	48.3	54.5	63.0	51.2	43.2	217.0	261.7
Kurdistan	23.9	19.5	20.4	21.0	26.1	84.7	96.6
Total	**72.2**	**74.0**	**83.4**	**72.2**	**69.3**	**301.7**	**358.3**

USD/bbl	**Q4 '10**	**Q3 '10**	**Q2 '10**	**Q1 '10**	**Q4 '09**	**2010**	**2009**
Yemen	15.10	15.48	17.03	13.51	11.20	15.27	15.28
Kurdistan	4.39	1.87	4.06	8.17	8.46	3.64	9.35
Total	**8.36**	**5.31**	**9.57**	**11.35**	**9.98**	**8.05**	**13.05**

Depreciation, Depletion and Amortisation (DD&A)

Total DD&A costs were NOK 72 million in the fourth quarter compared to NOK 66 million the year before. Lower depreciation charges in Yemen were more than offset by increased DD&A from higher local production in the Kurdistan Region of Iraq. The same is the situation on a yearly basis, where total DD&A increased to NOK 314 million (up from NOK 298 million in 2009). The DD&A will be recalculated based on updated reserve estimates scheduled for the first quarter as in line with reporting requirements for hydrocarbons from Oslo Stock Exchange (ASR report).

Depreciation, Depletion and Amortisation (DD&A)						Full year	
NOK mill	**Q4 '10**	**Q3 '10**	**Q2 '10**	**Q1 '10**	**Q4 '09**	**2010**	**2009**
Yemen	30.9	32.4	32.7	40.8	46.3	136.8	238.1
Kurdistan	41.0	78.3	38.4	19.7	19.5	177.4	60.2
Total	**71.9**	**110.6**	**71.1**	**60.5**	**65.9**	**314.2**	**298.3**

USD/bbl	**Q4 '10**	**Q3 '10**	**Q2 '10**	**Q1 '10**	**Q4 '09**	**2010**	**2009**
Yemen	15.35	15.45	15.42	16.37	19.84	15.65	20.45
Kurdistan	11.31	11.28	11.50	11.51	9.51	11.44	8.74
Total	**12.75**	**12.25**	**13.03**	**14.39**	**15.01**	**12.96**	**16.10**

Photo: Hans Fredrik Asbjørnsen

EXPLORATION AND CAPITAL EXPENDITURE

Exploration cost expensed

Expensed exploration costs in the fourth quarter were NOK 25 million compared with NOK 15 million in the same period in 2009. A seismic campaign as preparations for drilling the Peshkabir well in Tawke PSC contributed with NOK 4 million. In Mozambique, G&G costs were NOK 4 million and dry well cost for the Chite-1 well was NOK 11 million. On a yearly basis, the expensed exploration costs were down from NOK 156 million in 2009 to NOK 56 million in 2010 mainly due lower seismic activity and lower dry well costs in Yemen.

Exploration cost expensed — Full year

NOK mill	Q4 '10	Q3 '10	Q2 '10	Q1 '10	Q4 '09	2010	2009
UK	1.8	2.0	0.8	0.2	-	4.8	0.7
Yemen	2.3	-8.6	13.0	1.0	-2.1	7.7	110.2
Kurdistan	6.9	5.4	4.6	6.3	3.9	23.2	10.1
Africa	14.3	4.4	3.2	8.8	13.2	30.6	32.7
Other	-	-	-10.4	0.3	-	-10.1	2.1
Total	**25.3**	**3.1**	**11.1**	**16.6**	**15.1**	**56.2**	**155.8**

Acquisition and Development costs (incl. intangible assets)

Total capital expenditure for the fourth quarter was NOK 54 million compared to NOK 34 million the previous year. The development costs in Yemen of NOK 22 million in the quarter consist mainly of capitalization of Gabdain-1 in Block 72 (NOK 10 million), completion of development and infill wells in the Bayoot field in Block 53 (NOK 2 million), and completion of Godah-12 in Block 32 (NOK 8 million). In the Kurdistan Region of Iraq, accrued investments in the quarter were related to drilling of exploration well Bastora-1 in Erbil PSA (NOK 32 million).

Acquisition and Development cost — Full year

NOK mill	Q4 '10	Q3 '10	Q2 '10	Q1 '10	Q4 '09	2010	2009
Yemen	22.2	33.0	31.1	44.4	22.5	130.6	39.6
Kurdistan	30.9	-43.1	4.8	25.2	11.8	17.8	631.7
Other	1.2	1.4	0.7	-0.1	0.1	3.2	1.5
Total	**54.3**	**-8.8**	**36.5**	**69.5**	**34.5**	**151.6**	**672.8**

Outlook

In 2011 we expect to see increased production from the Tawke field in the Kurdistan Region of Iraq. Work will also be undertaken to evaluate options to increase the production capacity through fine-tuning and modifications of our current facilities once full scale production is achieved for a sustainable period.

Our production in Yemen is expected to continue to decline until we will add new production from the Yaalen development. This project is planned to be completed during 2011 and with first oil early in 2012. The recent oil discoveries made in the Erbil License in the Kurdistan Region of Iraq and Yemen will be further evaluated to conclude possible commerciality which in turn could initiate new development projects.

The exploration drilling program for 2011 is expected to be six wells, of which two in the Kurdistan Region of Iraq, three in Yemen and one in Mozambique.

Our investment program for 2011 includes NOK 450 million in committed investments and NOK 420 million in contingent investments. Our financial position is significantly strengthened during 2010 and we expect to cover our committed investments in 2011 from cash flow from operations.

To further position the Company for future growth, DNO will pursue various re-financing options in 2011.

Key priorities going forward

Our key priority going forward is to fully utilize and sustain our current production capacity. DNO will also seek to further increase its production capacity through optimization of current facilities as well as from fast-track development of new discoveries.

Increased exploration efforts will be maintained going forward with the view to add new reserves and resources at low costs. DNO will also seek future growth from a more diversified portfolio and the Company will continue to assess onshore opportunities through new entries primarily in the Middle-East and Africa regions.

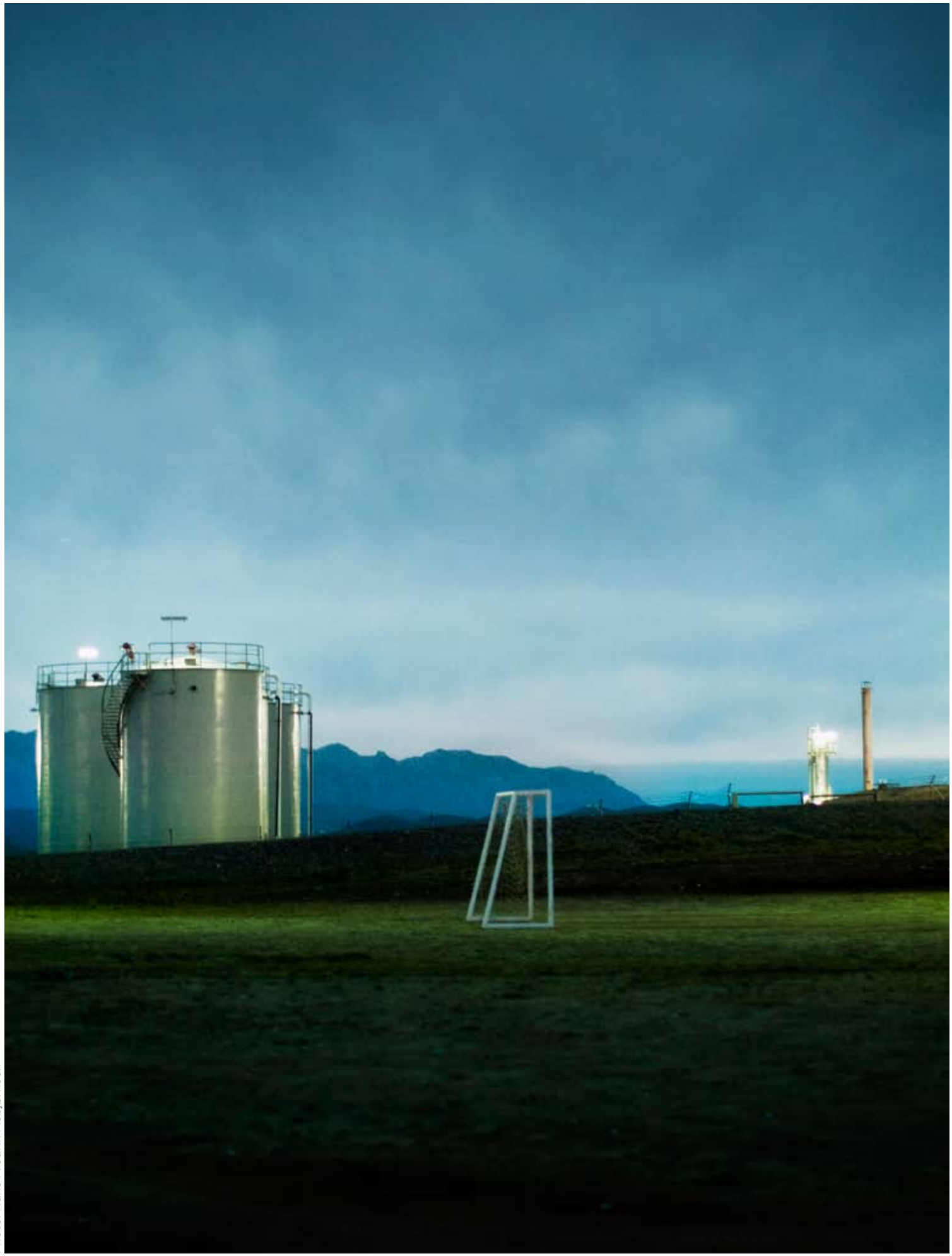


Photo: Hans Fredrik Asbjørnsen

Consolidated Statements of Comprehensive Income

NOK mill	Note	Q4 2010	Q3 2010	Q2 2010	Q1 2010	Q4 2009	Full year 2010	Full year 2009
Sales	2, 3	302.0	406.6	284.7	258.6	225.9	1,251.8	869.0
Cost of goods sold	4	-144.7	-185.1	-155.6	-133.3	-135.8	-618.7	-659.3
Gross profit		**157.3**	**221.4**	**129.0**	**125.3**	**90.2**	**633.1**	**209.7**
Other operating income		0.9	5.8	0.1	2.1	-	8.9	8.1
Tariffs and transportation		-1.7	-5.2	-8.1	-7.8	-6.2	-22.8	-36.9
Administrative expense/Other operating expenses	5	-44.3	-342.4	-10.8	-8.6	-144.1	-406.3	-204.3
Impairment oil and gas assets	9	-	-	-	-	-	-	-
Exploration cost expensed	6	-25.3	-3.1	-11.1	-16.6	-15.1	-56.2	-155.8
Net gain/(loss) from sale of PP&E		-	-	-	0.1	-	0.1	-
Profit/(loss) from operating activities		**86.8**	**-123.5**	**99.0**	**94.5**	**-75.2**	**156.8**	**-179.1**
Share of profit/(loss) associates	7, 10	-	-	-	-	-29.7	-	-62.9
Financial income	7	11.6	45.8	31.5	28.5	68.3	117.3	522.3
Financial expenses	7	-138.4	-40.5	-228.9	-72.5	-62.7	-480.3	-252.4
Profit/(loss) before income tax		**-40.0**	**-118.2**	**-98.4**	**50.5**	**-99.3**	**-206.2**	**28.0**
Income tax expense	8	9.1	-27.4	-22.7	-35.6	-285.3	-76.6	-297.6
Net profit/(loss)		**-30.9**	**-145.7**	**-121.1**	**14.9**	**-384.5**	**-282.9**	**-269.6**
Other comprehensive income								
Currency translation differences		10.0	-118.5	79.9	29.4	-38.4	0.8	-289.8
Fair value changes available-for-sale financial assets	11	57.2	29.3	51.8	-41.6	-30.2	96.8	-10.3
Total other comprehensive income		**67.3**	**-89.2**	**131.7**	**-12.2**	**-68.6**	**97.6**	**-300.2**
Total comprehensive income		**36.4**	**-234.9**	**10.6**	**2.7**	**-453.1**	**-185.3**	**-569.8**
Net profit/(loss) attributable to:								
Equity holders of the parent		-30.9	-145.7	-121.1	14.9	-384.5	-282.9	-269.6
Total comprehensive income attributable to:								
Equity holders of the parent		36.4	-234.9	10.6	2.7	-453.1	-185.3	-569.8
Earnings per share, basic		-0.03	-0.16	-0.13	0.02	-0.42	-0.31	-0.31
Earnings per share, diluted		-0.03	-0.16	-0.13	0.02	-0.42	-0.31	-0.31

Condensed Consolidated Statements of Financial Position

Assets

NOK mill	Note	Q4 2010	Q3 2010	Q2 2010	Q1 2010	Q4 2009	Full year 2010	Full year 2009
Non-current assets								
Other intangible assets	9	930.7	892.9	983.2	896.1	851.0	930.7	851.0
Property, plant and equipment	9	2,212.8	2,257.3	2,645.1	2,480.7	2,402.4	2,212.8	2,402.4
Investment in associates	10	-	-	-	-	-	-	-
Available for sale investments	11	360.0	308.8	285.9	436.8	478.4	360.0	478.4
Derivative financial instruments	7	-	-	0.1	-	0.8	-	0.8
Total non-current assets		**3,503.5**	**3,459.1**	**3,914.2**	**3,813.6**	**3,732.6**	**3,503.5**	**3,732.6**
Current assets								
Inventories	4	211.6	202.8	165.3	157.3	157.4	211.6	157.4
Trade and other receivables	12	290.3	311.7	244.0	255.0	197.2	290.3	197.2
Other financial assets at fair value through P&L	7	2.6	2.8	2.3	2.4	1.8	2.6	1.8
Cash and cash equivalents	13	1,384.7	936.2	821.6	671.1	303.4	1,384.7	303.4
Total current assets		**1,889.2**	**1,453.4**	**1,233.2**	**1,085.8**	**659.8**	**1,889.2**	**659.8**
TOTAL ASSETS		**5,392.7**	**4,912.5**	**5,147.5**	**4,899.4**	**4,392.4**	**5,392.7**	**4,392.4**

Equity and liabilities

NOK mill	Note	Q4 2010	Q3 2010	Q2 2010	Q1 2010	Q4 2009	Full year 2010	Full year 2009
Equity								
Share capital	14	237.5	226.2	226.2	226.2	213.7	237.5	213.7
Other reserves	14	870.1	435.2	435.2	435.2	80.6	870.1	80.6
Retained earnings		1,001.6	1,062.8	1,297.7	1,287.1	1,284.4	1,001.6	1,284.4
Total equity		**2,109.1**	**1,724.2**	**1,959.1**	**1,948.5**	**1,578.7**	**2,109.1**	**1,578.7**
Non-current liabilities								
Interest-bearing liabilities	15	1,555.5	1,547.4	1,949.9	1,831.9	1,785.3	1,555.5	1,785.3
Deferred income tax liabilities		65.5	99.5	110.0	108.2	94.2	65.5	94.2
Provisions for other liabilities and charges	16	777.5	740.1	820.2	751.0	685.8	777.5	685.8
Total non-current liabilities		**2,398.5**	**2,386.9**	**2,880.2**	**2,691.2**	**2,565.3**	**2,398.5**	**2,565.3**
Current liabilities								
Trade and other payables	17	552.2	471.4	231.7	191.3	191.0	552.2	191.0
Income taxes payable		13.9	7.3	7.7	8.3	-	13.9	-
Current interest-bearing liabilities	15	257.5	256.8	-	-	-	257.5	-
Provisions for other liabilities and charges	16	61.5	66.0	68.8	60.1	57.3	61.5	57.3
Total current liabilities		**885.1**	**801.5**	**308.2**	**259.8**	**248.4**	**885.1**	**248.4**
TOTAL EQUITY AND LIABILITIES		**5,392.7**	**4,912.5**	**5,147.5**	**4,899.4**	**4,392.4**	**5,392.7**	**4,392.4**

Condensed Consolidated Cash Flow Statements

NOK mill	Note	Q4 2010	Q3 2010	Q2 2010	Q1 2010	Q4 2009	Full year 2010	2009
Operating activities								
Profit/(loss) before income tax		-40.0	-118.2	-98.4	50.5	-99.3	-206.2	28.0
Adjustments to add (deduct) non-cash items:								
+/- Net interest expense (-income)		21.2	24.5	23.3	26.1	20.2	95.2	106.0
Unsuccessful exploration and evaluation expenses	6	9.2	-3.1	11.0	-	-1.2	17.2	56.2
Depreciation of PPE	4	72.5	111.2	72.2	61.1	66.5	317.0	300.9
Impairment loss on PPE		-	-	-	-	-	-	-
Amortisation of intangible assets and goodwill		-	-	-	-	-	-	-
(Gain)/loss on PPE	7	-	-	-	-0.1	-	-0.1	-
(Gain)/loss on shares		-7.0	-0.5	-0.8	-	29.5	-8.3	-3.0
Impairment/Reversal of impairment of financial assets		1.3	4.5	198.8	-	-	204.6	-400.4
Net profit discontinued operations		-	-	-	-	-	-	-
Other		44.1	37.0	-18.7	28.2	-23.3	90.6	270.4
Changes in working capital:								
- Inventories		-16.9	-29.4	-8.1	0.2	-2.6	-54.2	20.9
- Trade and other receivables		21.4	-67.7	11.0	-57.9	-38.6	-93.2	-23.1
- Other financial assets at fair value through P&L		0.2	-0.5	0.1	-0.6	0.8	-0.8	-0.7
- Trade and other payables		80.9	239.7	40.4	0.3	7.2	361.3	-197.9
- Provisions for other liabilities and charges		-4.5	-2.8	8.7	2.8	-16.5	4.2	-5.2
Cash generated from operations		182.4	194.7	239.5	110.6	-57.3	727.2	152.1
Income taxes paid		-19.3	-27.3	-30.5	-16.9	-35.5	-94.0	-92.2
Interest paid		-25.8	-27.8	-26.4	-28.2	-22.0	-108.3	-113.1
Net cash from operating activities		**137.3**	**139.6**	**182.6**	**65.5**	**-114.8**	**524.9**	**-53.3**
Investing activities								
Purchases of intangible assets		-41.4	-20.2	-15.7	-17.8	11.6	-95.1	-
Proceeds from sale of intangible assets		-	-	-	-	-	-	-
Purchases of tangible assets		-13.0	-29.4	-20.9	-51.7	-48.3	-115.0	-215.7
Proceeds from sale of tangible assets		-	-	-	0.1	-	0.1	-
Purchases of available-for-sale financial assets		-5.8	-1.5	-	-	-	-7.3	-
Proceeds from sale of available-for-sale financial assets		17.3	3.8	4.8	-	303.0	25.9	600.8
Interest received		4.6	3.3	3.1	2.1	1.8	13.1	7.2
Other investing activities		-	-	-	-	-	-	-
Net cash used in investing activities		**-38.3**	**-44.0**	**-28.7**	**-67.3**	**268.0**	**-178.3**	**392.1**
Financing activities								
Proceeds from borrowings		-	-	-	-	-	-	-
Repayment of borrowings		-	-	-	-1.4	-1.4	-1.4	-55.9
Purchase of treasury shares, including options		-	-	-	-	-130.2	-	-127.5
Proceeds from sale of treasury shares		-	-	-	367.1	-	367.1	-
Proceeds from issuance of shares		348.6	-	-	-	-	348.6	-
Net cash (used in)/from financing activities		**348.6**	**-**	**-**	**365.8**	**-131.6**	**714.3**	**-183.5**
Net increase/(decrease) in cash and cash equivalents		**447.6**	**95.6**	**154.0**	**364.0**	**21.6**	**1,061.1**	**155.5**
Cash and cash equivalents at beginning of the period		936.2	821.6	671.1	303.4	282.1	303.4	176.1
Exchange gain/(losses) on cash and cash equivalents		0.9	19.0	-3.4	3.7	-0.3	20.2	-28.2
Cash and cash equivalents at end of the period		**1,384.7**	**936.2**	**821.6**	**671.1**	**303.4**	**1,384.7**	**303.4**

* See Note 1 for description of changes in presentation of Cash flow statements

Condensed Consolidated Statements of Changes in Equity

NOK mill	Note	Share Capital	Other Reserves	Retained Earnings	Total Equity
Balance at 1 January 2009		**225.2**	**42.6**	**1,854.2**	**2,122.0**
Fair value gains, net of tax:					
- available-for-sale financial assets		-	-	-10.3	-10.3
Currency translation differences		-	-	-289.8	-289.8
Other comprehensive income/(loss)		-	-	-300.2	-300.2
Profit/(loss) for the period		-	-	-269.6	-269.6
Total comprehensive income		-	-	-569.8	-569.8
Issue of share capital		-	-	-	-
Purchase of treasury shares		-58.0	-1,542.6	-	-1,600.6
Sale of treasury shares		46.5	1,111.9	-	1,158.4
Derivative contracts treasury shares		-	468.8	-	468.8
Transferred to retained earnings		-	-	-	-
		-11.5	38.0	-	26.5
Balance at 31 December 2009	14	**213.7**	**80.6**	**1,284.4**	**1,578.7**

NOK mill	Note	Share Capital	Other Reserves	Retained Earnings	Total Equity
Balance at 1 January 2010		**213.7**	**80.6**	**1,284.4**	**1,578.7**
Fair value gains, net of tax:					
- available-for-sale financial assets		-	96.8	-	96.8
Currency translation differences		-	0.8	-	0.8
Other comprehensive income/(loss)		-	97.6	-	97.6
Profit/(loss) for the period		-	-	-282.9	-282.9
Total comprehensive income		-	97.6	-282.9	-185.3
Issue of share capital		11.3	337.3	-	348.6
Purchase of treasury shares		-	-	-	-
Sale of treasury shares		12.5	354.6	-	367.1
Derivative contracts treasury shares		-	-	-	-
Transferred to retained earnings		-	-	-	-
		23.8	691.9	-	715.7
Balance at 31 December 2010	14	**237.5**	**870.1**	**1,001.6**	**2,109.1**

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 2009. The interim financial information for 2009 and 2010 is unaudited.

The presentation of the consolidated cash flow statements has been changed in the fourth quarter. The cash flow statements are now using Profit/loss before income tax as starting point instead of Profit/loss from operations before exploration expenses. Previous figures have been revised to reflect this change in presentation.

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, liabilities related to share-based payments and all financial assets that are classified as available-for-sale, are recognized at fair value.

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2009. The implementation of new IFRS standards in 2010 had no significant impact.

Note 2 || Segment Information

Three months ended 31 December 2010 NOK million	Note	NE	YEM	KUR	AFR	OTHER	Total report. segm.	Unalloc./ elimin.	GROUP
Income statement information									
External sales	3	-	178.7	123.2	-	-	302.0	-	**302.0**
Inter-segment sales		-	5.5	2.8	0.7	-	9.0	-9.0	**-**
Cost of goods sold	4	-	-79.2	-65.2	-	-	-144.4	-0.2	**-144.7**
Gross profit		**-**	**105.0**	**60.8**	**0.7**	**-**	**166.5**	**-9.2**	**157.3**
Segment result		**-2.4**	**100.9**	**44.7**	**-14.0**	**-1.0**	**128.2**	**-116.9**	**11.3**
Interest - net									**-58.4**
Gain/(loss) on sale of shares									**7.0**
Income tax expense									**9.1**
Net profit/(loss)									**-30.9**
Segment assets		**16.0**	**674.8**	**2,904.2**	**181.8**	**-**	**3,776.7**	**1,616.0**	**5,392.7**

Note 2 || Segment Information continues

Three months ended 31 December 2009 NOK million	Note	NE	YEM	KUR	AFR	OTHER	Total report. segm.	Unalloc./ elimin.	GROUP
Income statement information									
External sales	3	-	176.6	49.3	-	-	225.9	-	**225.9**
Inter-segment sales		-	1.2	0.6	0.1	-	1.8	-1.8	**-**
Cost of goods sold	4	-	-89.5	-46.0	-	-	-135.6	-0.1	**-135.7**
Gross profit		**-**	**88.2**	**3.8**	**0.1**	**-**	**92.1**	**-2.0**	**90.2**
Segment result		**-0.6**	**61.0**	**-81.5**	**-15.7**	**-**	**-36.8**	**82.0**	**45.1**
Share of profit/(loss) associates	10	-29.7	-	-	-	-	-29.7	-	**-29.7**
Interest - net									**-85.3**
Gain/(loss) on sale of shares									**-29.5**
Income tax expense									**-285.3**
Net profit/(loss)									**-384.5**
Segment assets		**16.2**	**653.3**	**2,897.8**	**58.0**	**-**	**3,625.3**	**767.1**	**4,392.4**

Twelve months ended 31 December 2010 NOK million	Note	NE	YEM	KUR	AFR	OTHER	Total report. segm.	Unalloc./ elimin.	GROUP
Income statement information									
External sales	3	-	706.3	545.5	-	-	1,251.8	-	**1,251.8**
Inter-segment sales		-	11.0	5.6	1.1	-	17.8	-17.8	**-**
Cost of goods sold	4	-0.6	-353.9	-263.4	-0.1	-	-618.0	-0.7	**-618.7**
Gross profit		**-0.6**	**363.4**	**287.7**	**1.0**	**-**	**651.6**	**-18.5**	**633.1**
Segment result		**-6.8**	**346.6**	**-65.9**	**-29.9**	**-6.8**	**237.1**	**-281.1**	**-44.0**
Interest - net									**-170.6**
Gain/(loss) on sale of shares									**8.3**
Income tax expense									**-76.6**
Net profit/(loss)									**-282.9**
Segment assets		**16.0**	**674.8**	**2,904.2**	**181.8**	**-**	**3,776.7**	**1,616.0**	**5,392.7**

Twelve months ended 31 December 2009, NOK million	Note	NE	YEM	KUR	AFR	OTHER	Total report. segm.	Unalloc./ elimin.	GROUP
Income statement information									
External sales	3	-	702.0	167.0	-	-	869.0	-	**869.0**
Inter-segment sales		-	7.5	8.0	2.2	-	17.7	-17.7	**-**
Cost of goods sold	4	-	-499.9	-158.7	-0.1	-	-658.7	-0.6	**-659.3**
Gross profit		**-**	**209.5**	**16.4**	**2.1**	**-**	**228.0**	**-18.3**	**209.7**
Segment result		**-3.3**	**21.9**	**-121.8**	**-33.1**	**-**	**-136.3**	**395.2**	**259.0**
Share of profit/(loss) associates	10	-62.9	-	-	-	-	-62.9	-	**-62.9**
Interest - net									**-171.1**
Gain/(loss) on sale of shares									**3.0**
Income tax expense									**-297.6**
Net profit/(loss)									**-269.6**
Segment assets		**16.2**	**653.3**	**2,897.8**	**58.0**	**-**	**3,625.3**	**767.1**	**4,392.4**

Note 3 || Sales

DNO is presenting its operations governed by Production Sharing Agreements (PSA) according to the net entitlement method. A reconciliation between working interest (gross) and net entitlement presentation is shown in a separate table below.

NOK mill	Q4 2010	Q3 2010	Q2 2010	Q1 2010	Q4 2009	Full year 2010	2009
Sale of petroleum products *	302.0	406.6	284.7	258.6	225.9	1,251.8	869.0
Other income	-	-	-	-	-	-	-
Total sales	**302.0**	**406.6**	**284.7**	**258.6**	**225.9**	**1,251.8**	**869.0**

* The export sale from Kurdistan of NOK 714 million in Q3 2009 and NOK 135 million in Q2 2009 was reversed in Q4 2009. See Q4 2009 report for further information.

Reconciliation sales - working interest/net entitlement

NOK mill	Q4 2010	Q3 2010	Q2 2010	Q1 2010	Q4 2009	Full year 2010	2009
Sale of petroleum products working interest	464.9	634.6	464.7	389.7	365.3	1,953.8	1,293.1
Government share of production before income tax payable	-162.9	-228.0	-180.0	-131.1	-139.4	-702.0	-424.1
Sale of petroleum products net entitlement	**302.0**	**406.6**	**284.7**	**258.6**	**225.9**	**1,251.8**	**869.0**

Note 4 || Cost of Goods Sold

NOK mill	Q4 2010	Q3 2010	Q2 2010	Q1 2010	Q4 2009	Full year 2010	2009
Lifting costs *	-72.2	-74.0	-83.4	-72.2	-69.3	-301.7	-358.3
Depreciation, depletion and amortisation	-72.5	-111.2	-72.2	-61.1	-66.5	-317.0	-300.9
Total cost of goods sold	**-144.7**	**-185.1**	**-155.6**	**-133.3**	**-135.8**	**-618.7**	**-659.3**

* Lifting costs consist of expenses relating to the production of oil and gas, including operation and maintenance of installations, well intervention and workover activities, insurances, CO2 taxes, royalties to the state and costs in own organisation.

Lifting costs of NOK 15.2 million and Depreciation, depletion and amortisation of NOK 127.7 million related to the exported volumes in Kurdistan in Q3 and Q2 in 2009 were capitalized as inventory as a result of the reversal of export revenues. See Q4 2009 report for further information.

The depreciation related to the Water Purification Project (WPP) in Kurdistan in Q4 2010 amounts to NOK 6.6 million.

Note 5 || Administrative/Other Expenses

NOK mill	Q4 2010	Q3 2010	Q2 2010	Q1 2010	Q4 2009	Full year 2010	2009
Salaries and social expenses *	-23.0	-2.9	-1.9	-1.8	-9.0	-29.6	-12.7
General and administration expenses **	-21.3	-339.5	-9.1	-6.8	-131.9	-376.7	-187.2
Other operating expenses	-	-	0.2	-	-3.2	-	-4.3
Total administrative/other expenses	**-44.3**	**-342.4**	**-10.8**	**-8.6**	**-144.1**	**-406.3**	**-204.3**

* Salaries and social expenses directly attributable to operations are classified as lifting cost and exploration cost in the statement of comprehensive income.
** The increase in General and administration expenses in Q3 2010 was mainly related to a provision for claims and legal costs in connection with the ongoing arbitration process. To comply with the IFRS accounting standards, a provision of NOK 322 million was recorded in the Q3 2010 accounts. See Note 18 for further information on arbitration.

Note 6 || Exploration Cost Expensed

NOK mill	Q4 2010	Q3 2010	Q2 2010	Q1 2010	Q4 2009	Full year 2010	Full year 2009
Exploration expenses (G&G and field surveys)	-9.0	-6.8	-13.9	-8.0	-11.4	-37.7	-52.9
Seismic costs **	-3.5	-3.0	3.9	-6.8	4.0	-9.4	-32.6
Exploration costs capitalised in previous years carried to cost	-	-	-	-	-	-	-
Exploration costs capitalised this year carried to cost	-9.2	3.1	-11.0	-	1.2	-17.2	-56.2
Impairment of capitalised exploration costs	-	-	-	-	-	-	-
Other exploration cost expensed	-3.6	3.6	9.9	-1.7	-8.8	8.1	-14.1
Total exploration cost expensed *	**-25.3**	**-3.1**	**-11.1**	**-16.6**	**-15.1**	**-56.2**	**-155.8**

* For details on geographic spread of exploration cost expensed, see the Financial review section.
** Positive seismic costs in Q2 were mainly due to reversal and repayment of previous cost estimates for the block in Syria. The seismic costs in Q4 2009 were positive due to a correction of previous estimated costs

Dry well cost in Q4 2010 is NOK 9.2 million and consist of NOK 10.9 million related to the exploration well Chite-1 in Mozambique and adjustments of previous dry well costs in Yemen.

Note 7 || Net Finance

NOK mill	Q4 2010	Q3 2010	Q2 2010	Q1 2010	Q4 2009	Full year 2010	Full year 2009
Interest received	4.6	3.3	3.1	2.1	1.8	13.1	7.1
Other financial income	7.0	0.5	0.8	0.6	27.1	9.1	59.5
Interest expense	-25.8	-27.8	-26.4	-28.2	-22.0	-108.3	-113.1
Capitalised interest	-	-	-	-	-	-	-
Share of profit/(loss) associates	-	-	-	-	-29.7	-	-62.9
Exchange rate gain/(loss), realised items	-0.4	-3.9	0.7	-6.4	-0.2	-9.9	-2.3
Exchange rate gain/(loss), unrealised items	-71.5	41.5	26.9	25.7	71.7	22.6	39.1
Fair value gain/(loss) on financial instruments [1]	-0.2	0.5	-0.1	-0.1	-4.9	-	-12.4
Impairment of financial assets *	-1.3	-4.5	-198.8	-	-	-204.6	-8.7
Reversal impairment of financial assets **	-	-	-	-	-	-	409.2
Other financial expenses ***	-39.3	-4.2	-3.6	-37.8	-67.7	-84.9	-108.4
Net finance	**-126.8**	**5.3**	**-197.4**	**-44.0**	**-24.1**	**-363.0**	**207.1**

* Unrealised exchange loss of NOK 71.5 million in Q4 2010 includes a correction of NOK 68 millon relating to Q3 and Q2 2010, but has no effect on full year figures.
** Impairment of financial assets in Q4 2010 is related to the investment in Petrolia ASA. See Note 19 for further details on impairment.
*** Included in Other financial expenses is calculated interest related to the Water Purification Project liability in Kurdistan with NOK 37.2 million in Q4 2010 and NOK 75.4 million for full year 2010.

[1] Fair value gain/(loss) on financial instruments

NOK mill	Q4 2010	Q3 2010	Q2 2010	Q1 2010	Q4 2009	Full year 2010	Full year 2009
Interest rate derivatives	-	-	-	-	-	-	6.3
Oilprice derivatives	-	-0.1	-	-0.7	-4.2	-0.8	-19.4
Other financial assets at fair value through profit or loss	-0.2	0.5	-0.1	0.6	-0.8	0.8	0.7
Fair value gain/(loss) on financial instruments, net	**-0.2**	**0.5**	**-0.1**	**-0.1**	**-4.9**	**-**	**-12.4**

The oil price derivatives matured at 31 December 2010 and carrying value is zero. Interest rate derivatives were settled in the second quarter of 2009. Other financial assets at fair value through profit or loss are shares in Nordic Mining ASA, valued at NOK 2.6 million at 31 December 2010.

Note 8 || Taxes

NOK mill	Q4 2010	Q3 2010	Q2 2010	Q1 2010	Q4 2009	Full year 2010	Full year 2009
Taxes payable	-	-	-	-	-	-	-
Deferred taxes	35.1	-0.6	7.2	-10.4	-256.6	31.3	-212.7
Income taxes payable related to production sharing agreements (PSAs)	-25.9	-26.9	-29.9	-25.3	-28.7	-108.0	-84.9
Total income tax expense	**9.1**	**-27.4**	**-22.7**	**-35.6**	**-285.3**	**-76.6**	**-297.6**

The interim period income tax expense is calculated by applying the tax rate appliccable 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.

The positive income tax expense in Q4 2010 is due to adjustment of deferred tax liability in Yemen as a result of higher utilization of cost oil in Block 43.

The deferred tax asset of NOK 256 million was written off in Q4 2009 as the criteria for recognizing this asset were not present at year-end.

DNO has applied for credit deduction (kreditfradrag) for the operations in Kurdistan Region of Iraq similar as for the operations in Yemen. To date, DNO has not received confirmation from the authorities on this matter. When the application for credit deduction is approved, the revenues from Kurdistan will increase with a corresponding income tax expense (corporate tax), and a deferred tax liability will be recorded.

Note 9 || Property, Plant and Equipment/Intangible Assets

NOK mill	Q4 2010	Q3 2010	Q2 2010	Q1 2010	Q4 2009	Full year 2010	2009
Acquisitions of PP&E *	13.0	-29.0	20.9	51.7	48.3	56.5	215.7
Acquisitions of Intangible assets **	41.4	20.2	15.7	17.8	-13.8	95.0	457.2
Net book amount PP&E	**2,212.8**	**2,257.3**	**2,645.1**	**2,480.7**	**2,402.4**	**2,212.8**	**2,402.4**
Net book amount Intangible assets	**930.7**	**892.9**	**983.2**	**896.1**	**851.0**	**930.7**	**851.0**
Sale of PP&E							
Proceeds	-	-	-	-		-	-
Carrying value	-	-	-	-		-	-
Net gain/(loss)							
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.

The total acquisition costs in Q4 2010 were NOK 54.3 million. The acquisition of intangible assets of NOK 41.4 million mainly relates to the drilling of the exploration well Bastora-1 in the Erbil PSC in Kurdistan (NOK 32 million), Gabdain-1 exploration well in Block 72 (NOK 9.7 million) and preparations for drilling of the exploration well Inhaminga High-1 in the Inhaminga license in Mozambique (NOK 1.7 million). The acquisition of PP&E of NOK 13 milllion is mainly related to the development well Godah-12 in Block 32 (NOK 8 million), completion of development and infill wells at the Bayoot field in Block 53 (NOK 3.9 million) and NOK 2 million related change of pumps in Block 43. In addition, studies, evaluations and analysis have been performed in all areas.

The capitalization of the Water Purification Project (WPP) in Kurdistan was recorded as intangible asset in Q3 2009. See Note 16 for further details on the WPP.

Note 10 || Investment in Associate

Up to November 2009, DNO had a 23,46% interest in Det norske oljeselskap ASA (DETNOR), which is a Norwegian independent E&P company. Following the sale of 5 million shares in November 2009, DNO's shareholding in DETNOR decreased below 20% and DNO no longer had significant influence. The investment was revalued to market price according to IAS 28, and classified as Available-for-sale (AFS) from December 2009 (see Note 11).

Share of the associate's balance sheet:

NOK mill	Q4 2010	Q3 2010	Q2 2010	Q1 2010	Q4 2009	Full year 2010	2009
Current assets	-	-	-	-	-	-	-
Non-current assets	-	-	-	-	-	-	-
Current liabilities	-	-	-	-	-	-	-
Non-current liabilities	-	-	-	-	-	-	-
Net assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**

Share of the associate's revenue and profit:

NOK mill	Q4 2010	Q3 2010	Q2 2010	Q1 2010	Q4 2009	Full year 2010	2009
Revenues	-	-	-	-	-	-	45.8
Profits	-	-	-	-	-29.7	-	-62.9

NOK mill	Q4 2010	Q3 2010	Q2 2010	Q1 2010	Q4 2009	2010	2009
Impairment of the investment	-	-	-	-	-	-	-
Reversal of impairment	-	-	-	-	-	-	409.2
Carrying amount of the investment	**-**	**-**	**-**	**-**	**-**	**-**	**-**

Note 11 || 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.
Impairment will be charged to the income statement, while reversal of impairment will be charged directly to other comprehensive income.

						Full year	
NOK mill	**Q4 2010**	**Q3 2010**	**Q2 2010**	**Q1 2010**	**Q4 2009**	**2010**	**2009**
Beginning of the period	308.8	285.9	436.8	478.4	47.4	478.4	36.8
Additions *	5.8	1.5	-	-	460.6	7.3	460.6
Sales **	-10.5	-3.3	-4.0	-	0.6	-17.9	-
Revaluation surplus/deficit transfer to equity	57.2	29.3	51.8	-41.6	-30.2	96.8	-10.3
Impairment ***	-1.3	-4.5	-198.8	-	-	-204.6	-8.7
Exchange differences	-	-	-	-	-	-	-
End of the period [1)]	**360.0**	**308.8**	**285.9**	**436.8**	**478.4**	**360.0**	**478.4**
Non-current portion	360.0	308.8	285.9	436.8	478.4	360.0	478.4
Current portion	-	-	-	-	-	-	-

* Additions in Q4 and Q3 2010 relate to the investment in Rocksource ASA. Additions in Q4 2009 related to the investment in Det norske oljeselskap (DETNOR), which previously was classified as investment in associated company. After DETNOR merged with Aker Exploration in December 2009, DNO's shareholding in DETNOR was 11.66% and thereby classified as Available-for-sale investment.
** Sales in 2010 relate to sale of shares in Rocksource ASA.
*** Impairment of NOK 1.3 million in Q4 2010 relates to the shares in Petrolia ASA. Impairment of NOK 4.5 million in Q3 2010 relates to the shares in Petrolia ASA (NOK 1.2 million) and Rocksource ASA (NOK 3.3 million). Impairment of NOK 198.8 million in Q2 2010 related to the shares in DETNOR (NOK 195.1 million) and Petrolia ASA (NOK 3.7 million). See Note 19 for further details on impairment.

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

						Full year	
NOK mill	**Q4 2010**	**Q3 2010**	**Q2 2010**	**Q1 2010**	**Q4 2009**	**2010**	**2009**
– Det norske oljeselskap ASA	349.8	294.1	265.6	387.3	437.9	349.8	437.9
– Petrolia Drilling ASA	2.4	3.7	5.0	7.7	8.9	2.4	8.9
– Rocksource ASA	7.8	11.0	15.3	41.7	31.6	7.8	31.6
[1)] Total available-for-sale financial assets	**360.0**	**308.8**	**285.9**	**436.8**	**478.4**	**360.0**	**478.4**

Note 12 || Trade and Other Receivables

						Full year	
NOK mill	**Q4 2010**	**Q3 2010**	**Q2 2010**	**Q1 2010**	**Q4 2009**	**2010**	**2009**
Trade receivables	84.3	96.0	78.6	99.6	68.1	84.3	68.1
Less: provisions for impairment of receivables	-	-	-	-	-	-	-
Trade receivables - net	84.3	96.0	78.6	99.6	68.1	84.3	68.1
Prepayments	7.4	9.0	10.2	3.8	9.4	7.4	9.4
Underlift, entitlement method	83.0	27.8	29.3	34.7	8.1	83.0	8.1
VAT receivable	3.6	3.3	3.2	3.6	3.0	3.6	3.0
Amortised short-term receivables	-	-	-	-	-	-	-
Other short-term receivables *	112.1	175.5	122.6	113.4	108.6	112.1	108.6
Total trade and other receivables	**290.3**	**311.7**	**244.0**	**255.0**	**197.2**	**290.3**	**197.2**

* Included in Other short-term receivables is working capital related to the participation in oil and gas licenses.

Note 13 || Cash and Cash Equivalents

						Full year	
NOK mill	**Q4 2010**	**Q3 2010**	**Q2 2010**	**Q1 2010**	**Q4 2009**	**2010**	**2009**
Cash and cash equivalents , non-restricted	1,377.5	931.7	816.3	666.6	297.2	1,377.5	297.2
Cash and cash equivalents , restricted	7.2	4.5	5.3	4.6	6.2	7.2	6.2
Total cash and cash equivalents	**1,384.7**	**936.2**	**821.6**	**671.1**	**303.4**	**1,384.7**	**303.4**

Note 14 || Equity

Share capital

NOK million	Number of shares (1000)	Ordinary shares	Treasury shares	Total
At 1 January 2009	**904,856**	**226.2**	**-1.0**	**225.2**
Share option scheme:				
- value of services provided	-	-	-	**-**
- proceeds from shares issued	-	-	-	**-**
Treasury shares purchased/sold	-	-	-11.5	**-11.5**
At 31 December 2009	**904,856**	**226.2**	**-12.5**	**213.7**
At 1 January 2010	**904,856**	**226.2**	**-12.5**	**213.7**
Share option scheme:				
- value of services provided	-	-	-	**-**
- proceeds from shares issued	-	-	-	**-**
Treasury shares purchased/sold	-	-	12.5	**12.5**
Share issues	45,000	11.3	-	**11.3**
At 31 December 2010	**949,856**	**237.5**	**-**	**237.5**

In November 2010, DNO made a private placement of 45 million shares to a subscription price of NOK 8 per share. Total proceeds from the private placement were approximately NOK 360 million. The total number of ordinary shares is 949 856 912 shares with a par value of NOK 0,25 per share. All issued shares are fully paid.

Other reserves

NOK mill	Share premium/ Other paid-in capital	Hedging reserve	Available-for-sale investm.	Other reserves	Translation	Total
Balance at 1 January 2009	**796.8**	**-**	**-**	**-596.3**	**-157.8**	**42.6**
Revaluation, net of tax	-	-	-	-	-	-
Correction of opening balance	29.5	-	-	-29.5	-	-
Treasury shares:						
- Sale of treasury shares	-117.4	-	-	1,229.3	-	1,111.9
- Purchase of treasury shares	-	-	-	-1,542.6	-	-1,542.6
Other paid in capital	-	-	-	-	-	-
Derivative contracts treasury shares	-	-	-	468.8	-	468.8
Share premium fund transfer	-337.2	-	-	337.2	-	-
Balance at 31 December 2009	**371.7**	**-**	**-**	**-133.2**	**-157.8**	**80.6**
Balance at 1 January 2010	**371.7**	**-**	**-**	**-133.2**	**-157.8**	**80.6**
Revaluation, net of tax	-	-	96.8	-	-	96.8
Treasury shares:						
- Sale of treasury shares	8.2	-	-	346.4	-	354.6
- Purchase of treasury shares	-	-	-	-	-	-
Other paid in capital	337.3	-	-	-	-	337.3
Derivative contracts treasury shares	-	-	-	-	-	-
Transferred from retained earnings	-	-	-	-	-	-
Currency translation differences:						
- Group	-	-	-	-	0.8	0.8
- Associates	-	-	-	-	-	-
Balance at 31 December 2010	**717.2**	**-**	**96.8**	**213.2**	**-157.0**	**870.1**

Note 15 || Interest-Bearing Liabilities

NOK mill	Q4 2010	Q3 2010	Q2 2010	Q1 2010	Q4 2009	Full year 2010	Full year 2009
Non-current							
Bonds	1,555.5	1,547.4	1,949.9	1,831.9	1,785.3	1,555.5	1,785.3
Total non-current interest-bearing liabilities	**1,555.5**	**1,547.4**	**1,949.9**	**1,831.9**	**1,785.3**	**1,555.5**	**1,785.3**
Current							
Current portion of bonds	257.5	256.8	-	-	-	257.5	-
Liabilities to financial institutions	-	-	-	-	-	-	-
Total current interest-bearing liabilities	**257.5**	**256.8**	**-**	**-**	**-**	**257.5**	**-**
Total interest-bearing liabilities	**1,813.0**	**1,804.2**	**1,949.9**	**1,831.9**	**1,785.3**	**1,813.0**	**1,785.3**

NOK mill	Currency	Amount	Interest	Maturity	Q4 2010	Q3 2010
Bond loan (ISIN NO0010270523)	USD	85.0	Libor + 3,5%	06/06/2012	497.8	496.2
Bond loan (ISIN NO0010283732)	NOK	177.0	Fixed 7,215%	12/10/2012	177.0	177.0
Bond loan (ISIN NO0010283724)	NOK	284.0	Nibor + 3,5%	12/10/2012	284.0	284.0
Bond loan (ISIN NO0010302649)	NOK	49.0	Nibor + 2,5%	02/03/2011	-	-
Bond loan (ISIN NO0010478027)	USD	41.8	Libor + 4%	12/10/2012	244.8	244.0
Bond loan (ISIN NO0010478019)	USD	62.4	Fixed 6,445%	12/10/2012	365.4	364.3
Bond loan (ISIN NO0010478001)	USD	35.6	Libor + 3%	02/03/2011	-	-
Borrowing issue costs					-13.5	-18.2
Total non-current interest-bearing liabilities					**1,555.5**	**1,547.4**

The two bond loans with maturity in 2011 were reclassified as current interest-bearing liabilities at 30 September 2010.

Note 16 || Provisions for Other Liabilities and Charges

NOK mill	Q4 2010	Q3 2010	Q2 2010	Q1 2010	Q4 2009	Full year 2010	Full year 2009
Non-current							
Asset retirement obligations	14.9	14.4	17.5	15.7	14.9	14.9	14.9
Other long-term obligations	762.6	725.6	802.7	735.3	670.9	762.6	670.9
Total non-current provisions for other liabilities and charges	**777.5**	**740.1**	**820.2**	**751.0**	**685.8**	**777.5**	**685.8**
Current							
Other provisions and charges	61.5	66.0	68.8	60.1	57.3	61.5	57.3
Total current provisions for other liabilities and charges	**61.5**	**66.0**	**68.8**	**60.1**	**57.3**	**61.5**	**57.3**
Total provisions for other liabilities and charges	**839.0**	**806.0**	**889.0**	**811.2**	**743.2**	**839.0**	**743.2**

NOK mill	Asset retirem. oblig.	Other non-current	Prov. treasury shares	Other current	Total
Balance at 31 December 2009	**14.9**	**670.9**	**-**	**57.3**	**743.2**
Charged to consolidated income statement:					
- Additional provisions	3.1	92.0	-	8.6	103.7
- Unused amounts reversed or reclassified	-3.1	-	-	-4.5	-7.6
Charged to equity:					
- Additional provisions	-	-	-	-	-
- Unused amounts reversed	-	-	-	-	-
- Contracts exercised	-	-	-	-	-
Exchange differences	-	-	-	-	-
Incurred and charged against the provision during the period	-	-0.3	-	-	-0.3
Balance at 31 December 2010	**14.9**	**762.6**	**-**	**61.5**	**839.0**

Included in Other long-term obligations is a provision for the Water Purification Project (WPP) in Kurdistan. The WPP is capitalized and depreciated over the period of production. The WPP liability will not be payable until export revenues have been received by DNO. The monthly instalments are contingent on defined gross revenue levels and will be fully recovered through cost oil.

Derivative contracts on treasury shares are recognised as liabilities unless they qualify as equity (option premium). Forward contracts and written put options are recognised as liabilities with a corresponding adjustment to equity.

Note 17 || Trade and Other Payables

NOK mill	Q4 2010	Q3 2010	Q2 2010	Q1 2010	Q4 2009	Full year 2010	Full year 2009
Trade creditors	6.6	12.6	14.4	5.7	8.2	6.6	8.2
Public duties payable	6.9	2.2	3.8	2.8	6.0	6.9	6.0
Prepayment from customers	42.7	0.7	0.8	0.8	0.9	42.7	0.9
Other accrued expenses	496.0	454.8	210.9	182.0	176.0	496.0	176.0
Total trade and other payables	**552.2**	**471.4**	**231.7**	**191.3**	**191.0**	**552.2**	**191.0**

Prepayment from customers relates to local sales contracts at Tawke.

Other accrued expenses include provisions for claims and legal costs related to the arbitration proceedings. See Note 18 for further details.

Note 18 || Provisions

Arbitration proceedings

As previously reported to the market, DNO Iraq AS, a subsidiary of DNO International ASA, is involved in arbitration proceedings related to certain third party interests in Kurdistan. In 2009, the first part of the arbitration ruled the right to seek compensation for damages from DNO Iraq AS. A provision of USD 12 million for the claim was recorded at year-end 2009, representing management's best estimate for the potential damages.

A preliminary award was received in October 2010. The award was conditional and did not specify any figure of damages to be paid by DNO, but specified the method and assumptions to be applied by the parties to calculate and agree on a final figure. DNO calculated the range of the damage to be USD 55 -75 million. To comply with the IFRS accounting standards, DNO recorded an additional provision for claims and legal costs of NOK 322 million in the third quarter 2010 in connection with the ongoing arbitration process, bringing the total provision to USD 65 million.

The parties are finalizing their calculations, with a view to reach a conclusion as soon as possible. The provision of USD 65 million is considered by the management to represent the best estimate for the expected final award.

Note 19 || Impairment assesments

DNO has performed impairment assessments for its assets at year-end 2010, according to IAS 36 Impairment of Assets. IAS 36.9 requires that an entity shall assess at each reporting date whether there is any indication that an asset may be impaired. If such indication exists, the recoverable amount shall be estimated.

Oil and gas assets have been assessed for impairment as of 31 December 2010. Booked values of the assets have been compared to use values calculated as the net present value (before tax) of the assets. DNO has defined field level as the lowest level where separate cash flows can be identified. Field level is thereby the aggregation level for depreciation purposes, and also when assessing impairment. Net present value per field is calculated by discounting the future cash flows and comparing them to booked value. The following assumptions have been used in calculating net present value; the oil price is based on the forward curve as of 31 December 2010 adjusted for any discounts in oil quality applicable to each field. The discount rate used for impairment purposes is based on DNO's WACC (Weighted Average Cost of Capital). Based on these assumptions no impairment is necessary for the oil and gas assets.

The shares in Petrolia ASA, Rocksource ASA and Det norske oljeselskap ASA are classified as Available-For-Sale (AFS), with changes in fair value recorded directly in other comprehensive income. In line with IAS 39 and DNO's accounting principles, an impairment loss will be recorded when there has been a significant or prolonged decline in fair value. During 2010, a total impairment loss of NOK 204.6 million has been recorded related to the shares in Petrolia ASA, Rocksource ASA and Det norske oljeselskap ASA in order to reflect the significant decrease in fair values compared to original cost prices. A further decline in the share prices will be recorded as impairment loss, while increase in share prices will be recorded in other comprehensive income. An impairment loss of NOK 1.3 million has been recorded in Q4 2010 related to the shares in Petrolia ASA.

Note 20 || Contingencies and Events after the Balance Sheet Date

Restart of export from the Tawke field in Kurdistan

Testing of export production from the Tawke field commenced on 2 February 2011. In close cooperation with the Kurdistan Regional Government and North Oil Company, production and flow through the Fishkabour tie-in point and the Kirkuk-Ceyhan export pipelines are now tested at full capacity of 50,000 bopd. DNO has been advised by the KRG that an interim period will continue until a new Iraq oil law has passed the Iraqi parliament later this year. All oil delivered by DNO is measured and recorded. Commercial terms for the interim period are under evaluation and will be reported to the market in due course.

Ongoing drilling operations - Yemen

In Block 72, drilling of the Gabdain-1 basement exploration well commenced on 19 November. The well was drilled to total depth of 3,485 meters. Hydrocarbons were observed while drilling through the Kohlan sandstone overlaying the basement interval and an oil sample was also recovered from this section. Hydrocarbon charged fractures were also observed while drilling the upper basement interval. An open hole test was conducted on the basement interval, but no flow to surface was received due to the limited fractures encountered in the wellbore at this location. The presence of oil shows in the basement and the Kohlan demonstrates a working hydrocarbon generation and migration system. Studies are underway to determine if a more optimal drilling location is feasible. Gabdain-1 has now been suspended, and the Block 72 partners have approved a second exploration well, Gabdain-2, which was spudded 11 February 2011.

Ongoing exploration drilling - Kurdistan

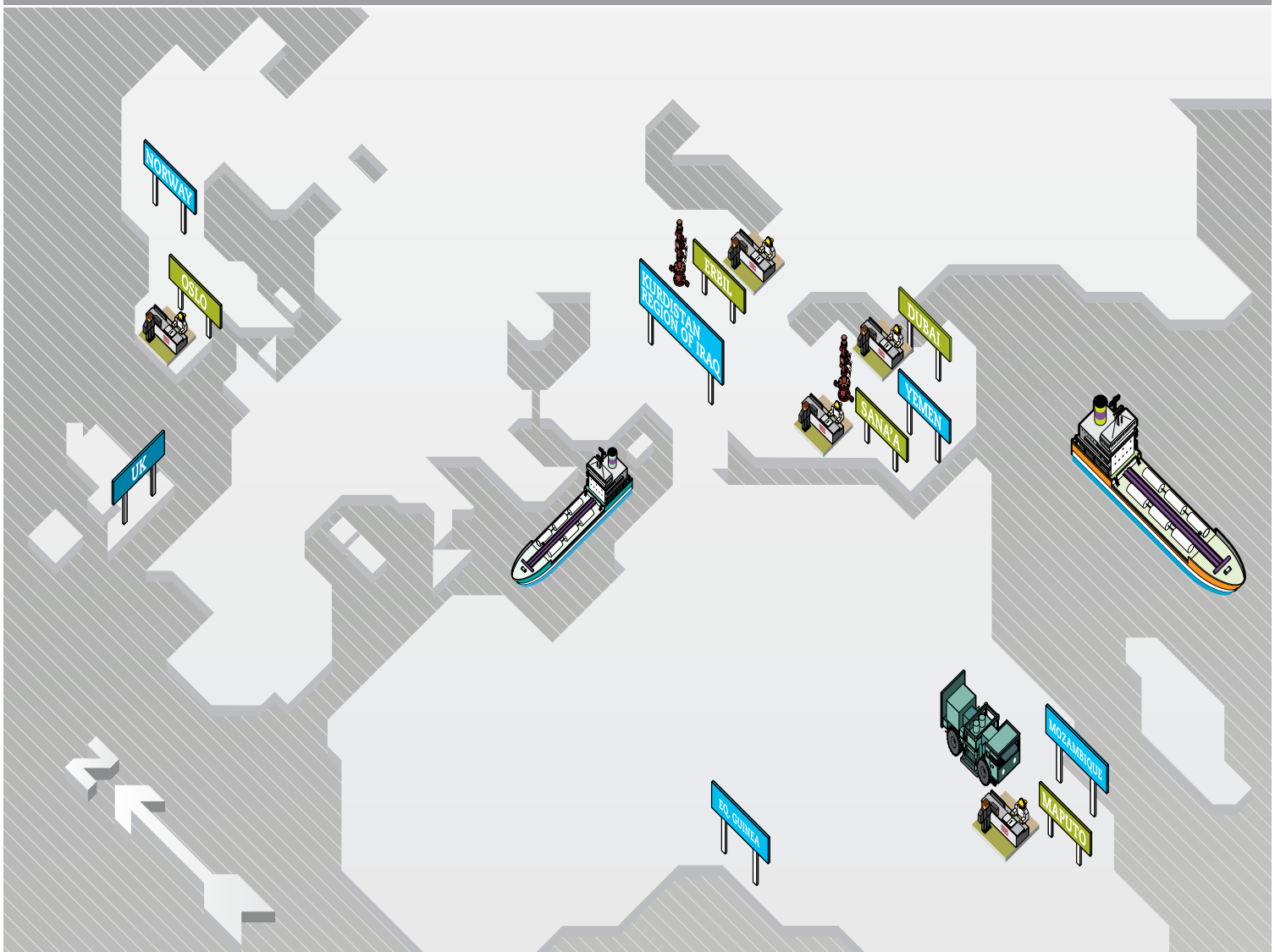
Drilling of exploration well Bastora-1 in the Erbil licence commenced on 7 September. The well has been drilled to total depth of 3,600 meters. As previously reported, hydrocarbons were observed while drilling through several of the prospective intervals. Two tests were undertaken in the lower part of the Cretaceous interval, both flowing water. The third and fourth tests in the Cretaceous have now been completed and flow rates of 400-600 barrels per day of 16-20 API per test were achieved. The tests were undertaken after acid stimulation of the perforated interval, and the well was flowed using a submersible jet pump. The well flow was not fully stabilized during the test. Various options for improving the flow rates from these zones will be investigated, including a possible horizontal side-track to undertake a long term production test. Additional two tests are planned to be undertaken in the well. Once the full test program is completed and the results are evaluated, a further update will be reported to the market.

Ongoing exploration drilling - Mozambique

The exploration well Inhaminga High-1 was spudded 13 February.

NOTES

DNO Assets



DNO's offices:
Oslo, Norway (Head Office)
Dubai, UAE
Erbil, the Kurdistan Region of Iraq
Sana'a, Yemen
Maputo, Mozambique

Yemen:
- PSA interest in 5 blocks
- Large scale operation and strong position

The Kurdistan Region of Iraq:
- 3 PSCs
- Tawke fast track development
- Large scale operation and strong position

Mozambique:
- 54% interest in the onshore Inhaminga block

United Kingdom:
- 50% interest in exploration license P1067

Norway:
- 11.66% equity interest in Det norske oljeselskap ASA (DETNOR)

Equatorial Guinea:
- 5% interest in the offshore Block P

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