



Dana Petroleum plc

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DANA PETROLEUM PLC
(“Dana”, “the Company” or “the Group”)

Preliminary Results for the Year Ended 31 December 2006

Dana Petroleum, the independent oil and gas exploration and production company focused on growth through international exploration and the development of low risk production from the UK North Sea, reports its preliminary results for 2006.

HIGHLIGHTS

Strong Growth in Oil and Gas Reserves

- Proven and probable reserves increased to 130.6 million barrels of oil equivalent at end 2006 (2005: 111.5 million barrels)
- Oil and gas reserve additions represent a reserves replacement of 336% for the year

Record Production and Cashflow

- Record average oil and gas production of 22,285 boepd up 13% (2005: 19,683 boepd)
- Production capacity increased significantly during 2006 to a new high of 30,000 boepd at year-end
- Delivered a 30% increase in revenue, to a new record of £215.3 million (2005: £165.6 million)
- Underlying business performance on a strong upward growth trend
- Currently producing from 14 oil and gas fields. This will rise to 29 fields during the second half of the year, on completion of new UK developments and the Devon Egypt acquisition
- Profit before tax, interest and “one-off” items rose 27% to £106.8 million (2005: £84.1 million)
- Reported pre-tax profit (after all adjustments) for the financial period £97.1 million (2005: £107.8 million)
- Record cash flow from operations up 31% to £139.9 million (2005: £107.1 million)
- Net funds of £109.9 million at end 2006, an improvement of £18.1 million



Successful Exploration and Appraisal Campaign

- Three North Sea wells, Babbage, East Causeway and E18-6 all discovered new oil & gas reserves
- New light oil discovery at Aigrette, during Dana operated campaign offshore Mauritania
- Accelerated acquisition of seismic surveys offshore Egypt and Morocco
- Pursuing strategic entry into Norway
- Awarded 16 new blocks by UK Government in 24th Licensing Round

Extensive Development Programme

- Goosander field delivered onstream ahead of schedule, with production exceeding expectations
- Successful development drilling and workover campaigns completed on Mallard, Claymore, and F16-E fields to access new reserves and extend field life
- Cavendish gas field and Enoch oil field developments to deliver first production by end Q2 2007
- Several additional oil and gas fields being actively progressed towards development including the Barbara and Babbage gas fields and the Grouse and Causeway oil fields

Commercial Deals Secured

- Gaz de France deal completed: Dana gains increased stake in Johnston gas field to 49%, 25% of Anglia gas field, and 30% of West El Burrullus, Nile Delta, plus \$30 million drilling carry in Mauritania
- Additional assets being acquired from Gaz de France: a further 20% of West El Burrullus; a 25% interest in the Cavendish UK gas development, and two exploration interests in Norway
- Important new ventures secured through further deals in Egypt (working with BP) and Morocco (working with Repsol)

Outlook – On Target to Continue Strong Growth

- Group production for 2007 expected to average between 31,000 and 34,000 boepd
- On target to increase production capacity to 40,000 boepd by the end of 2007
- New developments will lead to a producing portfolio of 15 fields in the North Sea by mid 2007, 16 fields on-stream in total
- Up to 32 exploration and appraisal wells being planned during next two years, targeting potential reserves of approximately one billion barrels of oil equivalent net to Dana



Major Growth Step

- Acquisition of Devon Energy Business in Egypt is expected to complete in Q3 2007 and will add to Dana:
 - 13 new producing fields
 - around 12,500 boepd of production
 - 30 million barrels of oil reserves
 - significant infill drilling potential
 - 7 well exploration programme over next 2 years

Chief Executive, Tom Cross commented:

"Dana delivered record oil and gas reserves and production in 2006. The Company is on target for further growth in 2007, with new UK fields coming on-stream and a very active drilling and development programme across existing properties.

Dana's strong foundation has enabled it to take a major growth step through the recently announced acquisition of Devon Energy's business in Egypt. This deal, which is the Company's largest to date, provides an attractive portfolio of opportunities across the value chain from exploration through to production. It also complements our existing business in Africa and achieves a strategic foothold in Egypt, a country we have targeted for growth over the past 18 months. Post completion of this transaction, Dana will be producing from 29 fields, providing a strong and balanced base of cash flow enabling the Company to deliver its intensive drilling programme throughout the next two years, with up to 32 wells currently being planned to target new reserves.

The next 12 months will see the most exciting stage of the Company's development so far."

30 April 2007

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CHAIRMAN'S AND CHIEF EXECUTIVE'S REVIEW

INTRODUCTION

We are pleased to report on another excellent year of progress for the Company, with significant advances being made in all key areas.

2006 saw the delivery of new record highs in oil and gas reserves, production, revenue and cash flow. Dana has developed a strong and balanced asset base combining healthy cash reserves, a robust production portfolio delivering strong cashflow, a wide range of field development opportunities and an exciting exploration and appraisal drilling programme with the potential to deliver major upside over the next two years.

Throughout 2006, Dana's active development programme and asset trading activities allowed the Company to continue its delivery of year-on-year production growth. The Group completed the acquisition of interests in the Johnston and Anglia gas fields, both delivered through its asset swapping strategy, and agreed to acquire, on very attractive terms, new or incremental stakes in four new areas in Egypt and Morocco to be explored over the next few years. This commercial activity was complemented by significant progress on existing assets, with the Goosander field brought on stream, new developments sanctioned and underway and further infill drilling within already producing fields.

Alongside these production growth activities, Dana continued to pursue an ambitious exploration and appraisal programme. The 2006 drilling campaign delivered a number of successes in the North Sea and the Aigrette light oil discovery offshore northern Mauritania. Good progress was also made in building the portfolio of future exploration drilling opportunities. Following a comprehensive review of future exploration potential worldwide, the Company reached agreements to gain important new exploration areas offshore Morocco and Egypt and achieved outstanding results in its bids in the UKCS 24th Licensing Round, being awarded 16 new blocks. In addition, Dana accelerated the acquisition of extensive new 3D seismic surveys on existing acreage.

Looking ahead, 2007 production is expected to move well ahead of 2006 levels and the Company remains on target to increase production capacity to 40,000 boepd by the end of the year. Twelve exploration and appraisal wells are now planned for 2007, with up to a further 20 being considered for 2008. This forward programme includes wells which will target large prospects offshore Egypt, the UK, Morocco and Mauritania, each of which have significant upside. Therefore overall, a total of up to 32 wells are now being planned for the next two year period, targeting potential reserves of around one billion barrels net to Dana.

RESULTS

With average daily oil and gas production growing to 22,285 boepd (2005: 19,683 boepd) and an increased average realised price of \$48.78 per boe during 2006 (2005: \$42.24 per boe), revenue for the year increased by 30% to £215.3 million (2005: £165.6 million).

In both 2006 and 2005, the Group's profit before tax was generated after certain "one-off" items relating to gains on exploration and evaluation asset exchanges and investment disposals, as well as foreign exchange gains and losses arising from fluctuations in the US Dollar to Sterling exchange rates. The table below facilitates comparison of the underlying performance between the years.



	2006	2005
<u>Profit before Taxation before any adjustments</u> (these figures are the most representative of underlying operating performance)	<u>£106.8 m</u>	<u>£84.1 m</u>
Gain on Exploration and Evaluation asset exchange	-	£15.6 m
Gain on Sale of Available-for-sale Investment	-	£3.5 m
Foreign Exchange (loss) / gain	(£9.7 m)	£4.6 m
Adjustments	(£9.7 m)	£23.7 m
<u>Profit before Taxation as reported</u> (after all adjustments)	<u>£97.1 m</u>	<u>£107.8 m</u>

2006 profit before tax and any adjustments of £106.8 million compares to an equivalent of £84.1 million in 2005, which represents an improvement of 27%. This demonstrates good underlying performance of Dana's oil and gas operations. Overall, after all adjustments, the final reported pre-tax profit for the year was £97.1 million (2005: £107.8 million).

Cash generated from Group operations grew 31% to £139.9 million (2005: £107.1 million) and net funds increased by £18.1 million during the year, leaving the Company with a strong net funds position of £109.9 million at the end of 2006 (2005: £91.8 million).

Reported net profit for the year was £41.6 million (2005: £64.2 million) with earnings per share of 48.24p (2005: 80.13p).

Having recently committed to the major acquisition of Devon Energy's Egyptian business to secure the next growth phase for the Company, the Directors do not recommend payment of a dividend. This will be reviewed once the anticipated upside opportunities within the acquired assets are assessed and the integrated exploration and development programme has been planned.

2006 was a very successful year for Dana in terms of oil and gas reserves additions, with an increase in proven and probable reserves to a new record level for the Group at year end.

Changes in reserves arose in three areas; firstly, there were a number of upward revisions in producing fields, particularly in the Greater Kittiwake Area; secondly, there were additions due to acquisitions, related principally to the Gaz de France transaction and the acquisition of the Christian discovery in the Greater Kittiwake Area ("GKA"); and thirdly, the discoveries of additional oil in the Causeway field and more gas in the Babbage field. Further reserves growth is being targeted through the 32 well drilling programme.

Overall, some 27.2 mmboe of proven and probable reserves were added during 2006 due to the net effect of discoveries, acquisitions, disposals and field revisions. This increase more than three-fold offset Group production of 8.1 mmboe. Net additions replaced 336% of production over the calendar year. Overall Group proven and probable oil and gas reserves at 31 December 2006 reached a new high of 130.6 mmboe, of which 87% are now held in the North Sea. The Group's best estimate of its end 2006 contingent resources (technically recoverable hydrocarbons not yet determined to be commercial) was a further 101.8 mmboe. Therefore the total recoverable hydrocarbon resources available to the Company at end 2005 were 232.4 mmboe, of which just 56% are currently booked as proven and probable reserves.



OPERATIONAL HIGHLIGHTS

Production and Development

During 2006, the Goosander oil field was brought on-stream and Dana completed the acquisition of stakes in the Johnston and Anglia gas fields. The Company closed the year producing from a total of 13 North Sea fields which delivered an annualised average output of 20,709 boepd. Together with a contribution of 1,576 boepd from the South Vat Yoganskoye oil field in Russia, average Group production in 2006, grew 13.2% to a new record high of approximately 22,285 boepd.

As a result of the addition of new fields, infill drilling and workover activity on existing fields, Group production capacity increased strongly during 2006 to reach approximately 30,000 boepd by year end. A good performance was achieved in particular at the Hudson field, where Dana, as operator, has driven forward a programme of improvements. Production capacity at Hudson is now at levels significantly above those being delivered when Dana increased its interest and took over operatorship in 2005. There was also increased production in the GKA with peak production rates reaching record levels of over 32,000 boepd in the second half of 2006.

In the early months of 2007, production from GKA was impacted by severe weather affecting the tanker based offloading system and earlier this month an incident following tanker operations resulted in a shutdown of GKA. Although repairs are underway, the ongoing downtime caused by poor weather affecting tanker operations will be solved permanently by the construction of a new 10 inch oil export pipeline linking GKA to BP's Forties Pipeline System. Uptime in the GKA should increase significantly, with the new pipeline offtake also leading to an extended life for the GKA fields, resulting in additional oil reserves of approximately 2 million barrels net to Dana. The new pipeline is currently being manufactured and is scheduled to be operational by the fourth quarter of 2007. Dana has agreed to the construction of this pipeline, but is not exposed to any of the capital costs. Instead, Dana will pay a tariff to export oil through the pipeline, which reduces the Company's capital requirements, removes exposure to any cost pressures in the construction project, and protects against any future field underperformance. This pipeline will also underpin future development decisions and improve the economic return for new tie-backs in the area, including the Grouse oil field where development studies are well advanced.

The Enoch oil field and Cavendish gas field developments are progressing well with first production from both fields scheduled in Q2 2007. At Enoch, the focus of remaining work is on the Brae platform topsides, where the field will tie-in. At Cavendish, the first well has been drilled and completed with excellent flow rates, and the second well is currently drilling. The platform is installed, the export pipeline completed, the sub-sea pigging skid commissioned and work is almost complete on the host Murdoch platform. A third well will commence drilling following field start-up. In addition, infill drilling on fields already in production will again be an important factor in 2007, with drilling activity currently scheduled or being considered on the Otter, Hudson, Banff, Johnston, Anglia, Claymore and F16-E fields. This programme continues Dana's drive to maximise reserves and cash flow from its existing portfolio.

As a result of this intense offshore activity, Dana remains on target to increase its production capacity to 40,000 boepd by the end of 2007. It is currently estimated that Group production for 2007 will average between 31,000 and 34,000 boepd. The actual production out-turn for 2007 will depend on existing field performance and uptime, the precise timing of production start-up of the new fields under development, and the UK gas price which affects the economics of gas production and therefore export nominations and production levels.

Development planning, including detailed geoscience and engineering work, is underway on a number of fields which will come on-stream after 2007. At the Barbara gas field in the Central North Sea, Dana is acting as operator for the development studies which should allow the field owners to reach a project sanction decision later in 2007. Significant progress has been made in the last six months on aligning the five Barbara equity owners and agreeing a high level strategy for a potential combined development with the neighbouring Phyllis gas field. A Barbara/Phyllis combined project



would become one of the most substantial remaining gas developments in the UK North Sea.

Additional gas was discovered in the Babbage field in 2006, flow testing at 10.7 million cubic feet of gas per day. Following this positive well result, the Group is now pursuing fast-track development plans. A number of development scenarios and evacuation routes are currently being considered. Also in the southern North Sea, a production licence application has been made in respect of the gas discovered to date on Block A15 in the Netherlands.

Exploration and Appraisal

Continuing an active and balanced programme of drilling for new reserves is central to Dana's business strategy. During 2006, the Company participated in six exploration and appraisal wells and successfully operated and completed two challenging deepwater wells offshore West Africa. Most importantly, through extensive seismic acquisitions and commercial activity, the Dana Group has positioned itself with a substantial portfolio of drilling targets for the next two years.

Offshore Mauritania, the Aigrette-1 exploration well in Block 7 discovered oil in the targeted Cretaceous sandstones, approximately 43 km northwest of the Pelican-1 gas discovery. Significant sands were also encountered in a deeper section, however these were not found to be oil bearing at this location. The Flamant-1 exploration well in Block 8 offshore Mauritania targeted extensive carbonate section, but did not encounter commercial quantities of hydrocarbons. However, there were indications of gas whilst drilling the approximately 1,150 m thick primary target. In addition, gas bearing intervals were encountered during the drilling of a shallower section of the well, which indicates that there are hydrocarbons present in this area. Prior to drilling Flamant-1, Dana increased its interest in Block 8 by 5% and hence now owns a 26% stake in this vast licence area.

Dana has therefore discovered hydrocarbons in each of the first four wells it has drilled offshore Mauritania, in Blocks 1, 7 and 8. This provides encouragement for further drilling and Dana is currently undertaking detailed technical analysis to determine the optimal forward work programme. Future offshore activities will include a well in the Woodside operated Block 2 and the potential for seismic acquisition to examine a large structure which spans the border of Dana operated Block 1 and the neighbouring St Louis block, offshore Senegal, where Dana also holds an interest.

In Egypt, an aggressive work programme is being pursued by Dana and Gaz de France in the West El Burullus concession, offshore Nile Delta. There is outstanding prospectivity across this region, with major fields on-stream and BP and RWE Dea recently making a significant gas discovery in the neighbouring block. The West El Burullus co-venturers have entered into a rig contract to drill late 2007 or early 2008.

In the North Sea, Dana drilled three exploration and appraisal wells in 2006, all of which were successful. Additional gas was proved in the Babbage field and oil was discovered in the East Causeway well, which flowed at the highly encouraging rate of 14,500 barrels of oil per day. The E18-6 exploration well in the Dutch sector discovered a new gas accumulation, close to Dana's producing F16-E field, and has resulted in a follow-up well E18-7, which began drilling earlier this month.

Drilling on the Pomboo structure offshore Kenya was completed in January 2007. Significant reservoir quality sands were encountered, however there were no indications of hydrocarbons. The joint venture group therefore decided not to drill the Sokwe South prospect immediately, but to take the necessary time to fully interpret the results of Pomboo before deciding on the most appropriate forward plan for the area.

In February 2007, Dana was awarded 16 offshore blocks in the UK Government's 24th Offshore Licensing Round. This was an excellent result following many months of technical work, with fourteen of these blocks situated in the prospective West of Shetland region. These new licences complement the Company's substantial awards in the UK's previous offshore licensing round, where positive electro-magnetic survey results have recently been obtained, and Dana's strategic position as the largest shareholder in Faroe Petroleum plc. In addition, Dana was awarded a 50% interest and operatorship in Block 21/17a in the GKA, which includes the Wagtail and Whinchat oil discoveries.



The UK 24th Round also saw Dana awarded 100% of Block 16/18c in the eastern part of the Central North Sea, adjacent to the Enoch oil field. Faroe Petroleum has also recently been highly successful in licensing rounds, with the award of five licences in the UK 24th Round and a further six licence interests in the recent APA 2006 Round, offshore Norway.

Dana has committed to two drilling slots on the Ensco-100 heavy duty jack-up rig. These are for drilling Dana operated exploration prospects in the Cleeton area of the UK Southern North Sea during the second half of 2007 and first half of 2008.

The Company has also committed to four drilling slots on the semi-submersible Sedco 704 rig between late 2007 and mid 2008. The targets are yet to be finalised but currently being considered for drilling are the Kerloch and Rinnes oil prospects, both in the Northern North Sea, a Hudson field infill well and the Wagtail prospect in the GKA. In addition, Dana expects to participate in a further six North Sea exploration and appraisal wells in 2007. In the UK, there are three wells in the Causeway area of the Northern North Sea and a Grouse field appraisal well in the GKA. Also in the North Sea, there will be a further well in Block E18a in the Netherlands following the success in that area in 2006, and an exploration well is planned offshore Norway, close to the Troll field.

Commercial Activity

Dana continues to undertake a high level of commercial activity in line with its strategy of adding value through its front-end exploration work and then accelerating cash flow wherever possible through both development and asset trading.

Earlier this month, Dana announced the acquisition of Devon Energy Corporation's entire upstream petroleum business interests in Egypt, spanning eight concessions. This is Dana's single biggest deal to date and represents a significant growth step for the Company. The businesses are an excellent strategic fit with Dana's existing properties in the Nile Delta and Gulf of Suez. The purchase price at the effective date of 1 January 2007 is \$375 million. In addition to receiving the oil and gas production and exploration assets, Dana will also gain approximately \$67 million of working capital in Devon Egypt as at the effective date. Dana will pay the net consideration of approximately \$308 million in cash (as adjusted at completion for ongoing 2007 production income and expenditure) via a newly arranged banking facility with ABN Amro Bank. During 2006, Devon Egypt had working interest production of approximately 12,300 barrels per day, and USGAAP operating profits of approximately \$53 million.

The portfolio of assets comprises interests in eight Production Sharing Contracts ("PSCs"), with 13 fields currently producing. Upon completion, the acquisition will add production of approximately 12,500 barrels of oil per day to Dana and add approximately 30 million barrels of proven and probable reserves, all on a working interest basis. The portfolio contains significant upside potential within the producing fields through identified infill drilling and well workover opportunities. There are also a substantial number of new targets to exploit through drilling in the largely unexplored Production Sharing Contract areas. The acquisition is subject to the normal regulatory and partner approvals and is expected to be completed during the second half of 2007.

In the last year Dana also agreed a number of multi-asset deals with Gaz de France. These have increased Dana's interest in the Johnston gas field to 49%, delivered a 25% interest in the Anglia gas field and an initial 30% equity in the West El Burullus concession, offshore Nile delta, Egypt. This activity has also covered most of Dana's drilling costs for its last three deep-water wells offshore Mauritania, where Dana has retained operatorship. In addition, Dana has already completed the acquisition of an additional 25% interest in the Cavendish gas development in the UK (taking Dana up to 50%) resulting in an expected near term production increase of approximately 4,300 boepd. The acquisition of a further 20% interest in West El Burullus (taking Dana up to 50%) and interests in two exploration licences offshore Norway are also progressing towards completion.

Dana has made a strategic entry into Norway, having carefully considered how it could apply its exploration led business model to the significant remaining potential in the country. As part of the Gaz de France transactions, Dana secured interests in the PL311 licence in the mature Norwegian North Sea, and in a higher risk frontier licence PL329 in the Norwegian Sea off mid Norway, subject



to standard regulatory approval. A wildcat well in PL329 recently completed drilling and did not encounter hydrocarbons, however drilling is planned on the more attractive, lower risk structure in PL311 later in the year. Further opportunities to grow Dana's interests in Norway are actively under evaluation.

Dana has increased its interests in the GKA through the acquisition of a 50% interest in Block 21/20b, which includes the Christian discovery, and a 25% interest in Block 21/20a, which includes the Bligh discovery. Dana will now work with its co-venturers in these blocks to progress development. Subject to third party approval, Dana has agreed terms to increase its interest in the Melville oil discovery and surrounding exploration acreage in the Northern North Sea, which is adjacent to the Dana operated Hudson field. Dana has put itself forward to become operator of Melville and will be in a strong position to actively progress exploration and development of this area alongside Hudson. Dana has also agreed a farm-in with Wham and Ithaca Energy to acquire a 25% interest in Blocks 48/3a and 48/4, which are adjacent to the Babbage discovery and Johnston field, by carrying 33% of the costs through a seismic programme and exploration well. Tullow Oil has also entered these blocks through this transaction and will be operator going forward.

In Morocco, Dana has signed two deals to acquire new interests. Firstly, Dana agreed to exchange a 3% interest in Blocks L5 and L7, offshore Kenya, for a 15% interest in the Tanger-Larache concession, offshore Morocco. This exchange deal remains subject to Kenyan government approval. Secondly, subject to the approval of the Moroccan authorities, Dana acquired a 50% interest and operatorship in the Bouanane block, onshore eastern Morocco, adjacent to the border with Algeria. Some seismic has already been acquired and drilling could take place in both these areas as early as 2008.

In Egypt, Dana completed a transaction with Compania Espanola de Petroleos S.A. (CEPSA) to acquire a 20% interest in the South Feiran Concession, located offshore in the Gulf of Suez. A 3D seismic survey has already been shot and the current plan is to drill a well late 2007 or early 2008. Dana has also signed an agreement with BP Exploration (Delta) Limited to acquire a 25% interest in the exploration Contract Area A in the North Ghara Concession, located in the Gulf of Suez, close to existing production infrastructure and with new 3D seismic currently being acquired.

During the last two years, Dana has built a significant position in both Morocco and Egypt through a number of low cost transactions. Each of these countries is delivering attractive exploration opportunities. Following the Devon acquisition, the commercial activity is likely to continue with a number of further deals already under discussion.

As a result of exploration and appraisal wells, ongoing activity in existing fields and commercial transactions, the Group has delivered a significant increase in net reserves at end 2006, from 111.5 million barrels of oil equivalent to 130.6 million barrels of oil equivalent. On the basis of 2006 production, this represents a reserves replacement ratio of 336%.

Dana continues to operate prudently and maintain a healthy financial position. Strong cash flows are augmented by the careful management of capital expenditure, which has been demonstrated by the Company's disciplined farming-out of expenditure on deep-water exploration wells. At 2006 year end, the Group had net funds of approximately £110 million and zero gearing. During 2007, Dana expects to invest some £140 million within its existing fields and exploration licences. Approximately £65 million of this will be spent on North Sea development activity and around £75 million on Dana's exploration and appraisal programme. A further £260 million will be applied to completing and driving forward the immediate work on the new acquisitions such as the Devon Egypt assets, the Cavendish gas field in the UK, the West El Burullus concession in Egypt and Dana's new assets in Norway. A newly arranged debt facility with ABN Amro Bank will provide funding for the Devon Egypt acquisition as well as Dana's ongoing exploration and development work programme.



OUTLOOK

Over recent years, Dana has built a substantial oil and gas asset portfolio. As a result of earlier successes, the Company now has a stream of developments which will ensure its continued growth.

By the middle of 2007, Dana expects to be producing from 16 fields, with 15 of these in the North Sea, providing a strong and well balanced cash flow engine. Completion of the Devon Egypt acquisition will add a further 13 fields, taking the total portfolio to 29 producing fields. The Company remains on course to meet its two-year target to double its 2005 production levels by the end of 2007. Dana's strong balance sheet has to date allowed it to remain completely unhedged with respect to oil price, thus maximising the benefits to the Company from continuing commodity price strength.

Over and above Dana's production growth, the Group is currently planning the drilling of up to 32 exploration and appraisal wells over the next two years, targeting on an unrisksed basis a total reserves potential of over one billion barrels net to Dana.

In addition to its intense drilling and development programme, Dana is confident of maintaining a high level of commercial asset trading activity. The recent Devon Egypt acquisition has demonstrated Dana's ability to conclude deals at attractive prices even in the prevailing tight market conditions. The Company will continue to pursue its proven strategy of using exploration success as leverage in commercial transactions to strengthen the asset base and accelerate returns.

In summary, Dana has developed into a substantial and well balanced independent oil and gas producer, with exceptional upside in its portfolio of assets. The Company is now poised for a major growth step and the next 12 months will be the most exciting in its development to date. The significant progress and strategic positioning achieved by the Group is testimony to the hard work and valuable contributions from the talented team in Dana. On behalf of the Board and Shareholders, we would like to recognise and thank all staff for their continuing enthusiasm and dedication.

30 April 2007

Colin Goodall
Chairman

Tom Cross
Chief Executive



FINANCIAL REVIEW

Dana delivered another year of record average oil and gas production; a reserves replacement ratio of 336% and a 31% improvement in cash generated from operations. Allied to the Group's continued unhedged exposure to the strong commodity price environment; this resulted in record revenue for the Company of £215.3 million (2005: £165.6 million). Earnings, as clarified below, also continued on an underlying upward trend.

Revenue

Annualised average production for the year was 22,285 boepd (2005: 19,683 boepd), with 93% delivered from the UKCS (2005: 91%). Oil continued to account for 84% of production (2005: 84%) with 16% from gas.

The Group realised an average price of \$61.48 per barrel for its UKCS crude sales during the year (2005: \$55.39 per barrel). The realised price for the Group's Russian crude sales in the year was \$26.24 per barrel, a further improvement over last year (2005: \$22.38 per barrel). Including gas production, the Group realised overall revenue per boe produced of \$48.78 (2005: \$42.24). Consequently, the combination of increased production and higher realisations per barrel led to revenue increasing to a record level of £215.3 million (2005: £165.6 million), an increase of 30%.

Gross Profit

Overall, there was a significant 22% improvement in gross profit to £114.4 million (2005: £93.8 million). Cost of sales, excluding the effect of the movement in production inventories, was £12.41 per barrel (2005: £10.69 per barrel). An increase had been expected due to the current industry trend of cost inflation impacting operational metrics, but the full year out-turn was higher than anticipated principally due to increased costs arising from the effect of higher oil prices on various transportation and tariff agreements, and from the movement from a tariff to a cost share agreement in the Johnston field from fourth quarter 2006. In addition, the Group's overall depletion charge for the year includes £3.9 million due to an impairment provision against the Group's carrying value of the Caledonia oil field, following the 2006 year end reserves review.

Profit for the Year

Administrative expenses at £1.02 per barrel were up slightly on the same period last year (2005: £0.87 per barrel). This was due to the requirement to accrue for cash-settled, long-term management incentive schemes, on the basis of share price performance at the end of a reporting period. Dana's share price grew by approximately 40% from £8.97 at 31 December 2005 to £12.53 at 31 December 2006, necessitating a higher than anticipated charge to the income statement for this scheme.

In both 2006 and 2005, the Group's profit before tax was generated after certain "one-off" items relating to gains on exploration and evaluation asset exchanges and investment disposals, as well as foreign exchange gains and losses arising from fluctuations in the US Dollar to Sterling exchange rates. The table below facilitates comparison of the underlying performance between the years.



	2006	2005
<u>Profit before Taxation before any adjustments</u> (these figures are the most representative of underlying operating performance)	<u>£106.8 m</u>	<u>£84.1 m</u>
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<u>Profit before Taxation as reported</u> (after all adjustments)	<u>£97.1 m</u>	<u>£107.8 m</u>

2006 profit before tax and any adjustments of £106.8 million compares to an equivalent of £84.1 million in 2005, which represents an improvement of 27%. This demonstrates good underlying performance of Dana's oil and gas operations. Overall, after all adjustments, the final reported pre-tax profit for the year was £97.1 million (2005: £107.8 million).

The effective tax rate for the period was 57.2% (2005: 40.5%) and within the guidance range provided by the Company with the 2006 interim results. This increase was driven by the changes to the UK upstream fiscal regime, including a 10% increase in the Supplementary Charge which was enacted in July 2006. In addition to increasing by 10% the rate of tax applicable to the Group's UK business activity from 1 January 2006, the Group also incurred a further non-cash charge of £9.5 million in relation to deferred tax balances from prior years. Looking forward, the Group's effective UK tax rate is expected to be approximately 53%, given that the Group continues to own two PRT paying fields.

The resultant reported profit for the year was therefore £41.6 million (2005: £64.2 million) with earnings per share of 48.24p (2005: 80.13p).

Balance Sheet

Net capital expenditure during the year was £106.0 million (2005: £115.9 million) with £84.3 million invested on production and development projects, primarily on the Goosander, Cavendish and Enoch developments; and £21.7 million on the 2006 exploration and appraisal programme, including the wells on Babbage, Kenya and in Mauritania, though the latter was significantly mitigated by the US \$30 million drilling carry received as part of the Exchange Agreement with Gaz de France.

A further £4.3 million was invested to maintain Dana's position in Faroe Petroleum plc, via the successful institutional share placing conducted in April 2006. Dana is the largest shareholder in Faroe Petroleum with a 17.2% stake. The Group also acquired 30,000 shares at a cost of £0.9 million, as part of the Group's offer in December 2006, to acquire Ener Petroleum A/S, a company quoted on the Norwegian OTC market. The offer was subsequently withdrawn but the shares continue to be held.

By the year end net assets had grown by approximately 15% to £312 million (2005: £271 million).

Cash Flow

Cash generated from Group operations rose by 31% to £139.9 million (2005: £107.1 million). After net interest income and a significantly reduced UK tax spend totalling £7.9 million (2005: £21.5 million), £108.5 million cash was expended on capital investment (2005: £53.9 million). On financing activities, £10.9 million was expended on debt repayments during the year (2005: £10.6 million), offset by £4.4 million (2005: £36.6 million) from the proceeds from the issue of new shares. As a result, the Group's bank debt was totally repaid during the year. The Group closed 2006 with



£109.9 million of net funds (2005: £91.8 million), a £18.1 million improvement from the position at the start of 2006.

In March 2007, the Group utilized approximately £50 million of its cash resources to complete the acquisition from Gaz de France of a 25% interest in the Cavendish gas field in the UK Southern North Sea.

Dana's borrowing base capacity was clearly demonstrated in April 2007, when the Group agreed terms with ABN Amro Bank for a significant new US \$600 million debt facility, to fund the Devon acquisition and provide a general corporate working capital facility for Dana.

Risk Management

The Company was unhedged throughout 2006. Given the strength of the Company's cash position, and continued high world oil prices, no future commodity hedging has currently been committed, ensuring Dana continues to enjoy full exposure to the current strong international oil price. With first production imminent from the Cavendish gas field, the Board is, however, closely monitoring the risks associated with the UK gas price, and once the level of the production stream has been demonstrated, the Group may consider forward sales of gas into the forthcoming winter season(s). Furthermore in consideration of the aforementioned new debt facility, the Board will continue to review its approach to commodity price, interest rate and currency fluctuations, in light of the Company's future capital commitments and obligations.

David MacFarlane
Finance Director
30 April 2007



DANA PETROLEUM PLC

Preliminary Results

Group Income Statement for the year ended 31 December 2006

	2006 £'000	2005 £'000
Revenue	215,322	165,625
Cost of Sales	(100,892)	(71,836)
Gross Profit	114,430	93,789
Exploration and Evaluation	(183)	13,550
Administrative Expenses	(8,301)	(6,227)
Foreign Exchange	(9,679)	4,627
Operating Profit	96,267	105,739
Gain on Sale of Available-for-Sale Investment	-	3,456
Provision for Impairment of Associated Company	-	(16)
Profit on Ordinary Activities before Interest and Taxation	96,267	109,179
Interest Income	4,200	1,642
Finance Costs	(3,340)	(3,053)
Profit on Ordinary Activities before Taxation	97,127	107,768
Taxation	(55,530)	(43,613)
Profit for the Financial Year	41,597	64,155
Attributable to:		
Equity Holders of the Company	41,235	63,785
Minority Interests	362	370
	41,597	64,155
Earnings per Share – basic	48.24p	80.13p
Earnings per Share – diluted	47.59p	78.52p



DANA PETROLEUM PLC

Preliminary Results

Group Balance Sheet as at 31 December 2006

	At 31 December 2006 £'000	At 31 December 2005 £'000
Non-Current Assets		
Intangible Assets	97,082	106,797
Property, Plant & Equipment	236,679	158,681
Deferred PRT	2,525	1,466
Available for Sale Financial Assets	14,390	13,082
Derivative Financial Instruments	2,017	3,485
	<u>352,693</u>	<u>283,511</u>
Current Assets		
Inventories	1,137	480
Trade and Other Receivables	41,224	46,887
Derivative Financial Instruments	2,195	1,246
Cash and Cash Equivalents	109,878	103,415
	<u>154,434</u>	<u>152,028</u>
Total Assets	<u>507,127</u>	<u>435,539</u>
Current Liabilities		
Trade and Other Payables	56,112	69,416
Current Tax	1,797	4,631
	<u>57,909</u>	<u>74,047</u>
Non-current Liabilities		
Trade and other payables	894	-
Borrowings Financial Liabilities	-	11,588
Provision for Deferred Taxation	89,535	43,199
Provision for Liabilities and Charges	44,415	32,918
Accruals and Deferred Income	2,372	3,112
	<u>137,216</u>	<u>90,817</u>
Net Assets	<u>312,002</u>	<u>270,675</u>
EQUITY		
Equity Attributable to Equity Holders		
Called-up Share Capital	12,901	12,574
Share Premium	79,301	75,246
Other Reserves	101,351	104,604
Cumulative Translation Reserve	(1,044)	449
Retained Earnings	117,177	75,563
	<u>309,686</u>	<u>268,436</u>
Minority Interests	2,316	2,239
Total Equity	<u>312,002</u>	<u>270,675</u>



DANA PETROLEUM PLC

Preliminary Results

Group Statement of Changes in Equity for the year ended 31 December 2006

	Year to 31 December 2006 £'000	Year to 31 December 2005 £'000
Opening Balance	270,675	157,825
Transitional Adjustment on First Time Adoption of IAS 39	-	6,771
Opening Balance as Restated	270,675	164,596
Currency Translation Adjustments	(1,778)	1,079
Fair Value Movements on Available-for-Sale Financial Assets	(3,905)	862
Taxation thereon	1,171	(259)
Derivative Financial Instruments	(1,038)	(749)
Taxation thereon	519	300
Total Expense Recognised Direct in Equity	(5,031)	1,233
Profit for the Financial Year	41,597	64,155
Total Recognised Income and Expense in the Year	36,566	65,388
Employee Share Scheme Credits	379	4,131
New Shares Issued	4,382	36,560
Closing Balance	312,002	270,675



DANA PETROLEUM PLC

Preliminary Results

Group Cash Flow Statement for the year ended 31 December 2006

	Year to 31 December 2006 £'000	Year to 31 December 2005 £'000
Operating Activities		
Cash Generated from Operations	139,920	107,052
Taxation Paid	(11,212)	(22,049)
Interest Received	4,200	1,642
Interest Paid	(915)	(1,105)
Net Cash from Operating Activities	131,993	85,540
Investing Activities		
Expenditure on Intangible and Tangible Assets	(103,190)	(63,872)
Expenditure on Decommissioning	(101)	-
Receipts on Sale of Investments	-	13,968
Payments to Acquire Investments	(5,212)	(4,016)
Net Cash Invested in Investing Activities	(108,503)	(53,920)
Financing Activities		
Issue of Ordinary Share Capital	4,382	36,560
Repayment of Short Term Borrowings	(10,905)	(10,584)
Net Cash Flow from/(used in) Financing Activities	(6,523)	25,976
Currency Translation Differences	(10,504)	4,489
Net Increase in Cash and Cash Equivalents	6,463	62,085
Cash and Cash Equivalents at the Beginning of the Year	103,415	41,330
Cash and Cash Equivalents at the End of the Year	109,878	103,415



DANA PETROLEUM PLC

Preliminary Results

Reconciliation of Net Cash Flow to Movement in Net Funds / (Debt) for the year ended 31 December 2006

	Year to 31 December 2006 £'000	Year to 31 December 2005 £'000
Increase in Cash and Cash Equivalents	6,463	62,085
Repayment of Short Term Borrowings	10,905	10,584
Exchange Gains / (Losses) on Borrowings	683	(1,339)
Movement in Net Funds	18,051	71,330
Net Funds / (Debt) at Beginning of Year	91,827	20,497
Net Funds at End of Year	109,878	91,827



Notes:

1. The financial information contained in this announcement does not constitute statutory financial statements within the meaning of Section 240 of the Companies Act 1985.

The comparative figures for the financial year ended 31 December 2005 are the equivalent of the Company's statutory accounts for that financial year. Those accounts, which were prepared under IFRS, have been reported on by the Company's auditors and delivered to the registrar of companies. The auditors issued an unqualified opinion on those accounts.

2. The basic earnings per ordinary share of 48.24p (2005: 80.13p) is calculated on the profit for the year attributable to equity holders of the parent of £41,235,000 (2005: £63,785,000) and divided by the weighted average of 85,480,459 ordinary shares (2005: 79,606,852).

The diluted earnings per share of 47.59p (2005: 78.52p) is calculated on the profit for the year attributable to equity holders of the parent of £41,235,000 (2005: £63,785,000) and divided by 86,649,511 dilutive potential ordinary shares (2005: 81,235,241), being those shares in issue and issuable in respect of Directors' and employees' share options.

3. No dividend is proposed.
4. Net Cash Flows from Operating Activities for the year ended 31 December 2006

	Year to 31 December 2006 £'000	Year to 31 December 2005 £'000
Profit for the Financial Year	41,597	64,155
Depreciation	36,502	26,354
Deferred Income	(740)	(395)
Interest Income	(4,200)	(1,642)
Interest Expense	3,340	3,053
Taxation	55,530	43,613
Employee Share Scheme Charge	192	408
Translation Differences	9,679	(4,627)
Impairment of Associate	-	16
Exploration and Evaluation	-	(13,550)
Gain on Sale of Investment	(521)	(3,456)
Fair Value Movements on Derivatives	-	(454)
<u>Movements in Working Capital:</u>		
Inventory Movement	(657)	(108)
Receivables Movement	5,663	(22,461)
Payables Movement	(6,465)	16,146
Cash Generated from Operating Activities	139,920	107,052

5. Copies of the 2006 Annual Report will be posted to all shareholders in advance of the Annual General Meeting. Further copies will be available from the Company's headquarters, from the date of posting. Telephone +44 (0)1224 652400, or request via Dana's web-site at www.dana-petroleum.com.