Dana Petroleum plc Interim Report & Accounts 2003

Highlights

Strong Growth in Oil and Gas Production

Average Production more than trebled to 16,081 boepd (1H 2002: 5,275 boepd)
Production from seven oil and gas fields, expect to add two more by year-end

Record Operating Performance

Turnover increased by 256% to £37.0 million (1H 2002: £10.4 million)
Operating Profit rose nine-fold to £15.0 million (1H 2002: £1.6 million)
Net Profit increased 746% to £11.0 million (1H 2002: £1.3 million)
Net Assets reached a new mid-year high of £148.2 million (mid 2002: £131.4 million)
Cash Flow from Operations rose strongly to £18.3 million (1H 2002: £3.5 million)

Successful Development Programme

Otter and Caledonia developments completed, both fields now on full production
Successful infill drilling at Banff and Claymore oil fields
Upper Salym field onstream and Shell JV agreed to $1 billion 3-field development

Significant Exploration and Commercial Activity

Acquisition of Kittiwake and Mallard oil fields and surrounding discoveries
Concluded valuable farm-out deal to accelerate exploration offshore Kenya
Major seismic acquisition of 5,500 km underway in Kenyan PSCs L5, 7, 10 & 11
Completed 3D seismic programme offshore Western Australia
Intense period of prospect analysis and drilling planning offshore Mauritania
Awarded 5 new licences (over 9 blocks) in UK 21st Offshore Licensing Round

Positive Outlook

Two gas fields (Pangkah and Cavendish) on course for development sanction
New drilling and tie-back opportunities in Greater Kittiwake Area under review
Planning on 8 exploration/appraisal wells and 3 further developments in next 2 years

"Yet again, I am delighted to report on record results. Dana's business strategy is delivering strong revenues from a balanced portfolio of oil and gas fields, with more in the pipeline. Increasing cashflow and a strengthening balance sheet will enable the Company to drive forward more of its quality development and exploration opportunities."

Charles M Smith CBE, Chairman of Dana
25 September 2003

TORQUE

Introduction

It is very pleasing to report that Dana's results for the first six months of 2003 have outperformed not only the equivalent interim period last year, but also exceeded the levels attained by the Company in the full year to 31 December 2002.

Oil and gas production for the first half showed a three-fold increase over the same period in 2002. This was due primarily to two successful new field developments at Otter and Caledonia, and positive infill drilling and well intervention work on the Banff and Hudson fields, following their addition to Dana's portfolio in the second half of 2002.

This has delivered record levels of cashflow and profit, which will enable Dana to exploit a number of its exploration and development growth opportunities during the next two years. It also positions the Company well for further targeted acquisitions.

Dana has continued its disciplined approach to both exploration and acquisition, focusing on high potential international areas such as offshore Africa and commercially attractive opportunities in the North Sea, which can add value in the near term.

The exploration programme has advanced in all areas. Analysis and selection of deepwater prospects offshore Mauritania and Ghana has progressed with co-venturers and drilling planning is underway for the first deepwater well. Significant volumes of new seismic have been acquired both offshore Australia and in Kenya, where a valuable farm-out deal was concluded with Woodside Energy to accelerate exploration across a vast area, equivalent to over 200 North Sea blocks. In the UK's 21st offshore licensing round, Dana's exploration team worked closely with existing partners to win material stakes of between 25% and 50% in 9 blocks focused around the Kittiwake and Cavendish fields.

Dana concluded an innovative deal, joining forces with Venture Production, to secure the 50/50 acquisition of the entire Greater Kittiwake Area in the Central North Sea from Shell and ExxonMobil. This will add new oil production from two fields in the near term (Kittiwake and Mallard), and offer additional development upside in the form of possible subsea tie-backs of the Gadwall and Goosander oil discoveries. The further exploration potential of this area is also being examined and this will be enhanced by the Company's new licence awards in the 21st licensing round.

Results

Production to 30 June 2003 surpassed expectations, confirming that the Company has built up a solid portfolio of producing properties. Net production to Dana was 2.54 million barrels of oil and 2.22 billion cubic feet of gas, yielding an average of 16,081 barrels of oil equivalent per day (boepd). This represents an increase of over 200% on the rate achieved for the corresponding period in 2002 (5,275 boepd).

Turnover for the period was £37m (1H02 £10.4m), a growth of 256% over the same period last year, and 96% of the 2002 full year level. The resultant net profit for the period of £11m, represents a 61% improvement over the 2002 full year and an almost nine-fold improvement over the first half of 2002. Earnings per share similarly improved to 14.83p per share on a post consolidation basis. No interim dividend is proposed.

Cost of sales, after adjustment for the end of period under/over-lifted production, remain broadly in line with last year at £8.24 per barrel (FY02 £8.15 per barrel). Administrative expenses, net of exchange gains or losses, were also in line with the corresponding period in 2002.

The net interest charge as expected was £1.2m principally reflecting a full period charge for the bank debt facility established at the end of 2002. The effective tax rate for the period was 22%, and includes for the first time, full provision for a deferred tax liability of £1.96m in accordance with accounting standard FRS19.

Working capital has improved significantly at the mid-year point as a result of operating cashflow. The Group's net cash inflow from operations was £18.3m compared to £3.5m in the first half of 2002 and £16.4m in the full year 2002.

After total capital investment of £13.5m, net debt was reduced by £5m at 30 June 2003 to £41.3m. Consequently, gearing at the interim stage has improved to 28%, from 34% at the start of the year.

Dana's balance sheet remains strong, with total net assets at 30 June 2003 rising to a new mid-year high of £148.2 million (mid 2002: £131.4 million).

Review of Operations

Europe

Dana's six producing fields in the UK North Sea contributed 13,907 boe per day to total Group production in the first half of 2003.

In the Northern North Sea, the fifth and last development well was successfully completed in May on the Otter field (Dana 19%). The wells have been a great success and this field is now producing at rates exceeding 30,000 b/d, limited by handling capacity at the Eider host platform. The potential to debottleneck the Eider facilities and thereby increase Otter production rates is currently being reviewed. At the nearby Hudson field (Dana 19.5%) production has averaged around 15,000 b/d, and plans to appraise the Melville field as a potential satellite to Hudson are being reviewed.

In the Central North Sea, the Caledonia oil field (Dana 25.8%) was brought onstream in February, ahead of schedule, and following a period of start-up volatility is now producing at rates of between 10,000 and 13,000 boepd. Initial indications are that the field may be experiencing natural aquifer support which would have a positive impact on ultimate oil recovery.

Elsewhere in the Central North Sea, development drilling at the Claymore field (Dana 7.5%) has continued to offset natural decline by adding incremental reserves and production with the latest well C77 successfully targeting an area of undeveloped oil in the main field. Production at the Banff field (Dana 12.4%) has benefited from the successful B5 infill well, drilled at the end of 2002, and a number of new opportunities for Dana to add value around the Banff area may be opened up by the recently announced change of operator. Development options for the rich condensate discovery at Barbara (Dana 27%) and oil accumulation at Enoch (Dana 11%) are also being actively considered.

In the Southern North Sea, Victor field gas production (Dana 10%) continues as expected in its seasonal cycle. Dana is also working closely with its partners in the UK's Cavendish field (Dana 25%) and Dutch F16-E field (Dana 2.2%) to finalise developments plans for these two gas fields.

In April, principal terms were agreed for the acquisition by Dana and Venture of a 50% interest each in the Kittiwake and Mallard oil fields and the surrounding development and exploration licences in the Central North Sea, collectively known as the Greater Kittiwake Area, from Shell and ExxonMobil. Agreements formalising this transaction were signed in late August and the deal is currently expected to complete during the fourth quarter. This acquisition is expected to add around 2,500 bopd to Dana's production initially, and most importantly to open up some attractive investment opportunities to add reserves and material production growth in the medium term. The prospects for infill drilling, further exploration and satellite developments are all currently being studied, including the potential to tie-back the Company's existing Goosander oil discovery to the Kittiwake field.

Dana's exploration team invested considerable time and effort in the 21st UKCS Licencing Round. The focused approach was successful, resulting in the award of 2 licences covering 4 blocks around the Greater Kittiwake Area and 3 licences comprising 5 blocks adjacent to the Cavendish gas field. This new acreage will enhance Dana's prospect inventory in these two core development areas.

In addition to Dana's now substantial number of licences in the North Sea, the Company gained an interest in the upside potential of the West of Shetlands/Faroes basins by exercising its low cost options to achieve a stake in Faroe Petroleum plc (FP), the niche North Atlantic focused oil company.
FP completed a successful flotation on the London Stock Exchange in June, raising £15 million and Dana now owns a 13.8% stake. In August, the Marimas exploration well (FP 25%), in Faroe Islands Licence 002, was drilled by ENI Agip to a total depth of over 3,800m. Good quality reservoir sands were encountered but with only traces of hydrocarbon. A number of promising structural prospects have been identified within Licence 005 where FP expects a well to be drilled following technical studies. FP has benefited from its close relationships with some major oil companies active in this area West of Shetlands and has positioned itself to acquire material interests in both the Laggan and Suilven field in UK waters. This will yield approximately 28 million barrels of reserves net to FP upon completion.

Africa

Detailed geoscience analysis and drilling engineering work is underway for Dana's first exploration well offshore Mauritania. The well is planned to test the Pelican prospect in Block 7 (Dana 80%). The Block 7 work is being conducted in parallel with similar work on Block 1 (Dana 48%), where a major diapiric prospect is emerging from the 3D seismic interpretation. Dana's operations team are examining whether the Pelican well can be drilled in conjunction with Woodside's current drilling campaign in Block 4. Options to combine a Block 7 well with a possible Block 1 well are also being considered. Technical studies of geological and seismic data are also continuing in Block 8 (Dana 80%), where key decisions on future activity are to be made in 2004.

In May, Dana concluded an attractive deal offshore Kenya to farm-out half of the Company's 80% interest in Blocks L5, L7, L10 and L11 to Woodside Energy, in return for Woodside paying an 80% contribution to exploration costs, including all seismic and the first two exploration wells. Following the approval of this deal by the Kenyan Government, an extensive 5,500km 2D seismic survey was started in August and is due to be completed shortly. This should enable the new partnership (Dana 40%) to make decisions on future drilling during 2004.

Offshore Ghana (Dana 90%), work continues to examine the implications of last year's WT-2X well, the second well to have seen oil in the shallow water area of the licence. Two parallel technical projects are ongoing with a view to making important decisions on future operations in Ghana. The first, a multi-disciplinary project, is examining the potential for commercial extraction of the relatively heavy oil in shallow water, as penetrated by the WT-1X and WT-2X wells. The second, a geoscience project, is working the integrated shallow and deepwater seismic data to determine the optimum drilling location to test structures in the deeper-water areas of the licence, thought more likely to contain lighter oil.

Far East

Offshore Indonesia, preparations for development of the Ujung Pangkah gas field (Dana 12%) are now well advanced with a front-end engineering and design study completed and the technical aspects of the subsurface development plan agreed. Final negotiations on gas sales from the Ujung Pangkah gas field are expected to conclude shortly, paving the way for final approval of the development, leading to first gas production in 2005. In addition, a two-well appraisal drilling campaign on the Western flank of the field is planned to commence in December with the potential to double current gas reserves. Subject to ongoing studies, it is likely that a further appraisal well will be drilled to the West of the Sidayu oil discovery, which, if successful, would create a new oil development in the region.

In the Perth Basin, offshore Western Australia, studies have continued across Permit WA-226-P (Dana 30%). Following encouraging results from the Morangie well in 2002, where oil shows were seen in good quality reservoir rock, the joint venture has completed a 500 sq km 3D seismic aquisition. It is hoped that the results from this survey, currently being processed, will lead to further drilling in 2004.

Russia

Oil continued to flow steadily from the South Vat-Yoganskoye field, averaging 2,174 bopd for the first half of 2003, some 14% of total Group production. This was a little ahead of expectation following a series of successful workovers to control water production.

Also in the West Siberian basin, two important milestones have occurred in the future development of the Salym group of fields. Firstly, initial production of 1,500 bopd was established in June from the Upper Salym field. Secondly, in early September, a $1 billion development plan for the development of the three fields in the greater Salym area (West Salym, Upper Salym and Vadelyp) was approved by Salym Petroleum Development, the operating company which is 50% owned by Shell and 50% owned by Joint Oil Stock Company Evikhon in which Dana holds a 10% stake. This approval is expected to result in first oil from West Salym in late 2005 with production expected to rise to 120,000 bopd by 2009.

Financial Commentary

Hedging

In the fourth quarter of 2002 it was decided, from a risk management perspective, to protect a proportion of oil revenues to assist with financing the new field developments at Otter and Caledonia, thus Dana entered into a series of oil swaps for 2003. Approximately 58% of UKCS crude production was hedged for the first six months at an average price of $24.83 per barrel. Given the subsequent high level of world oil prices during this period, the cost of hedging was £3.1m, which has been netted off before reporting Turnover. For the remainder of the year, the Group had also hedged approximately 5,500 bopd at a price of $24.15 per barrel. An oil swap has now also been contracted for 2004, with 2,000 bopd hedged at $25.87. Commodity prices and interest rates will continue to be closely monitored for opportunities to secure attractive returns.

Product Prices

The Group realised an average price of $20.45 per boe during the period (FY02 $19.45). This was constrained by the much lower domestic market prices achieved in Russia. We are however, seeing a similar third quarter increasing pricing trend in the Russian market to that observed in 2002, with a 75% improvement now evident in July and August compared to the first 6 months of this year.

The realised price for Dana's UKCS crude production was $23.14 per barrel and this was impacted by two main factors. Firstly, the Group was in a net under-lifted production position at the mid-year, which will add $1.84 to the realised price when this position unwinds in the second half of the year. Secondly, approximately 58% of the Group's UKCS crude production was hedged at an average price of $24.83, resulting in a cost of hedging in the period equivalent to $1.96 per barrel. Therefore, the effective realised price for UKCS crude production was $26.94 per barrel, with the weakening US dollar exchange rate during the first half of the year also partially mitigating the benefit of the high Brent oil price during the same period.

Taxation

The taxation charge for the year of £3.0m (1H02 £0.3m) includes, for the first time, full provision for a deferred tax liability of £1.96m in accordance with accounting standard FRS19. This follows the earlier than anticipated unwinding of the un-recognised deferred tax asset as at 31 December 2002, primarily due to the strong financial performance from the assets acquired at the end of 2002. The Group will now be required to provide for deferred UK taxation at a rate of 40% rate in line with our peers in the UK oil sector. Therefore the Group's effective tax rate (excluding PRT) will now increase towards this level and is currently forecast to be around 35% for 2003. The majority of the tax charge this year, will therefore represent the accounting for non-cash deferred tax, with any current (cash) corporation tax largely being mitigated by a re-structuring initiative now underway.

Balance Sheet

Capital expenditure on assets amounted to £12.1m, and a further £1.4m was incurred in exercising Dana's stock options in Faroe Petroleum plc (FP). Following the flotation of FP on AIM in June 2003, Dana now holds a 13.8% interest, and based on the current share price of FP, this investment would be valued at £4.7m compared to the £2.9m carried in the Group's balance sheet.

There was no movement in the Group's bank debt in the period and the next review is scheduled for February 2004, at which time we are currently forecasting a repayment of £10.2m.

Consolidation of Share Capital

At Dana's 2003 AGM, a resolution was passed unanimously by shareholders to consolidate the Company's share capital by a factor of 15 to 1. Therefore the nominal value of each ordinary Dana share rose from 1 pence to 15 pence. The consolidation took effect from 30 July 2003.

Outlook

Production levels are expected to increase further in the second half of 2003 with a full six months of Otter and Caledonia production and completion of the Greater Kittiwake Area deal, anticipated during the fourth quarter. It should therefore be possible to achieve the demanding target set by the Board in 2002 to double the annual average production from the level achieved in 2002 of 8,170 boepd. Dana's production now derives from direct interests in seven fields containing a total of 70 producing wells, and this is expected to increase to nine fields once the GKA acquisition is complete. This build up in both volume and sources of production, coupled with an active hedging policy, has given the Company a strong and reliable source of cashflow to invest in the development, exploration and acquisition growth opportunities generated by the management team.

On the development front, final approval for the Ujung Pangkah gas field is expected as soon as the detailed gas sales agreement has been reached. The approval process for the Cavendish gas development is also progressing well and these two projects could be joined during 2004 by up to 3 further new field development sanctions in the North Sea. Following behind these, Dana holds a portfolio of additional oil and gas discoveries, which are at various stages of appraisal. This gives considerable organic growth potential within the Group.

Dana will continue its prudent approach to exploration, ensuring that financial exposure and risk have been driven down to an acceptable level ahead of drilling. This is a strategy which has served the Company well in the past, resulting in a high strike rate with low finding costs.

Subject to satisfying the above criteria, Dana expects to drill up to three deepwater exploration wells offshore West Africa over the next 18 months. The potential for drilling offshore Kenya will be assessed once the results of the ongoing seismic survey have been examined. In the Far East, the Pangkah appraisal drilling campaign is due to commence around year-end and further exploration drilling may result in 2004 once the recently acquired 3D seismic survey offshore Western Australia has been interpreted. Following six discoveries from its last six North Sea exploration wells, Dana has decided to actively target additional prospects in the UK and the Company's success in the 21st Licencing Round represents the first stage in this process.

In addition to new exploration, opportunities will be sought to acquire existing reserves, both developed and undeveloped, where these reserves can be added at a cost which is competitive with organic exploration and development on a risked basis.

In summary, the Board's strategy of disciplined investment across a carefully constructed portfolio of production, development and exploration opportunities is delivering excellent results. The Company is now well positioned for continued growth with a balance of attractive exploration prospects, rising production from new developments, and a strengthening financial position which will enable further value-adding acquisitions.

Charles M. Smith, CBE
Chairman

Tom Cross
Chief Executive

25 September 2003

Interim Accounts
to 30 June 2003

Group Profit and Loss Account

for the six months to 30 June 2003

	Note	Unaudited Six months to 30 June 2003 £'000	Unaudited Six months to 30 June 2002 £'000	Audited Year to 31 December 2002 £'000
Turnover		36,955	10,394	38,588
Cost of Sales – continuing operations		(21,106)	(6,947)	(26,606)
Gross Profit		15,849	3,447	11,982
Administrative Expenses		(816)	(1,814)	(2,663)
Operating Profit		15,033	1,633	9,319
Group Share of Loss of Associated Company		-	-	(54)
Profit on Ordinary Activities before Interest		15,033	1,633	9,265
Interest Receivable		80	458	677
Interest Payable and Similar Charges		(1,273)	(579)	(1,711)
Profit on Ordinary Activities before Taxation		13,840	1,512	8,231
Taxation		(3,011)	(347)	(1,266)
Profit on Ordinary Activities after Taxation		10,829	1,165	6,965
Minority Interest		128	102	(155)
Profit for the Period		10,957	1,267	6,810
Earnings per Share	2	14.83p	0.1p	0.62p
Earnings per Share - diluted	2	14.26p	0.1p	0.59p

Group Statement of Total Recognised Gains and Losses

for the six months to 30 June 2003

	Six months to 30 June 2003 £'000	Six months to 30 June 2002 £'000	Year to 31 December 2002 £'000
Profit for Period	10,957	1,267	6,810
Currency translation adjustments	(151)	(294)	(99)
Total Recognised Gains for the Period	10,806	973	6,711

Group Balance Sheet

as at 30 June 2003

	Six months to 30 June 2003 £'000	Six months to 30 June 2002 £'000	Year to 31 December 2002 £'000
Fixed Assets			
Intangible Assets	75,071	79,400	86,586
Tangible Assets	117,060	40,075	104,018
Investments	16,875	14,360	16,939
	209,006	133,835	207,543
Current Assets			
Stocks	374	91	183
Debtors	13,568	4,616	13,860
Cash at bank and in hand	12,737	25,754	8,704
	26,679	30,461	22,747
Creditors: amounts falling due within one year	(24,290)	(10,981)	(30,242)
Net Current Assets / (Liabilities)	2,389	19,480	(7,495)
Total Assets Less Current Liabilities	211,395	153,315	200,048
Creditors: amounts falling due after one year	(45,425)	(9,486)	(44,230)
Provision for Liabilities and Charges	(12,004)	(6,013)	(12,245)
Accruals and Deferred Income	(4,350)	(5,020)	(4,740)
	(61,779)	(20,519)	(61,215)
Minority Interest in Subsidiary Undertakings	(1,382)	(1,380)	(1,552)
Total Net Assets	148,234	131,416	137,281
Capital and Reserves			
Called-up Share Capital	11,098	11,066	11,081
Share Premium	30,740	30,498	30,610
Other Reserves	97,679	97,679	97,679
Profit and Loss Account	8,717	(7,827)	(2,089)
Shareholders' Funds	148,234	131,416	137,281

Group Cash Flow Statement

for the six months to 30 June 2003

	Note	Six months to 30 June 2003 £'000	Six months to 30 June 2002 £'000	Year to 31 December 2002 £'000
Net Cash Inflow from Operating Activities	4	18,332	3,461	16,383
Returns on Investment and Servicing of Finance				
Interest Received		80	458	677
Interest Paid		(690)	(73)	(561)
		(610)	385	116
Taxation Received/(Paid)		62	(373)	(1,492)
Capital Expenditure and Financial Investment				
Expenditure on Intangible and Tangible Assets		(12,110)	(8,243)	(79,387)
Expenditure on Investments		(1,442)	-	(882)
Received from Disposal of Intangible and Tangible Assets		-	-	661
		(13,552)	(8,243)	(79,608)
Net Cash Outflow before Management of Liquid Resources and Financing		4,232	(4,770)	(64,601)
Management of Liquid Resources				
Short Term Deposits		-	2,578	7,849
Financing				
Issue of Ordinary Share Capital		147	-	127
New Short Term Borrowings		-	-	10,776
Repayment of Short Term Borrowings		-	-	(2,900)
New Long Term Borrowings		-	-	35,570
Repayment of Long Term Borrowings		-	-	(70)
		147	-	43,503
Increase/(Decrease) in Cash in the Period		4,379	(2,192)	(13,249)

Reconciliation of Movements in Shareholders' Funds

for the six months to 30 June 2003

	Six months to 30 June 2003 £'000	Six months to 30 June 2002 £'000	Year to 31 December 2002 £'000
Total Recognised Gains for the Period	10,806	973	6,711
New Shares Issued	147	-	127
Net Addition to Shareholders' Funds	10,953	973	6,838
Opening Shareholders' Funds	137,281	130,443	130,443
Closing Shareholders' Funds	148,234	131,416	137,281

Reconciliation of Net Cash Flow to Movement in Net (Debt)/Funds

for the six months to 30 June 2003

	Six months to 30 June 2003 £'000	Six months to 30 June 2002 £'000	Year to 31 December 2002 £'000
Increase/(Decrease) in Cash in the Period	4,379	(2,192)	(13,249)
Cash (Inflow) from Draw Down of Debt Financing	-	-	(46,346)
Cash Outflow from Repayment of Debt Financing	-	-	2,970
Cash Movement from Change in Liquid Resources	-	(2,578)	(7,849)
Change in Net (Debt)/Funds Resulting From Cash Flows	4,379	(4,770)	(64,474)
Exchange Differences	978	332	742
Convertible Loan Notes in Lieu of Interest	(405)	(357)	(733)
Movement in Net (Debt)/Funds	4,952	(4,795)	(64,465)
Net (Debt)/Funds at beginning of Period	(46,302)	18,163	18,163
Net (Debt)/Funds at end of Period	(41,350)	13,368	(46,302)

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 information is based upon the statutory financial statements for the year ended 31 December 2002. Those accounts, upon which the auditors issued an unqualified opinion, have been delivered to the Registrar.

2. The earnings per share calculations reflect the 15 : 1 share conversion approved at the Company's Annual General Meeting on 29 July 2003.

   The earnings per ordinary share of 14.83p (H1 2002 : 0.1p) is calculated on the profit of £10,957,000 (H1 2002 : £1,267,000) and on a weighted average of 73,884,260 (H1 2002 : 1,106,596,416) ordinary shares.

   The diluted earnings per share of 14.26p (H1 2002 : 0.1p) is calculated on the profit of £10,957,000 (H1 2002 : £1,267,000) and on 76,847,538 (H1 2002 : 1,112,460,689) ordinary shares, being those shares in issue and issuable in respect of the Directors' and employees' share options and any other future commitments.

   Convertible loan stocks are at present anti-dilutive.

3. No dividend is proposed.

4. Reconciliation of Profit on Ordinary Activities Before Taxation to Net Cash Inflow from Operating Activities

	Six months to 30 June 2003 £'000	Six months to 30 June 2002 £'000	Year to 31 December 2002 £'000
Operating Profit	15,033	1,633	9,319
Depreciation Charges	9,223	1,256	5,829
Deferred Income	(390)	(300)	(580)
Stock Movement	(191)	49	(43)
Debtors Movement	292	2,604	(7,389)
Creditors Movement	(5,635)	(1,781)	9,247
Net Cash Inflow from Operating Activities	18,332	3,461	16,383

Independent Review Report to Dana Petroleum plc

Introduction

We have been instructed by the Company to review the financial information for the six months ended 30 June 2003 which comprises the Group Profit and Loss Account, Group Balance Sheet, Group Cash Flow Statement, Group Statement of Total Recognised Gains and Losses, Reconciliation of Movements in Shareholders' Funds, Reconciliation of Net Cash Flow to Movement in Net Debt, and the related notes (1) to (4). We have read the other information contained in the Interim Report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

Directors' responsibilities

The Interim Report, including the financial information contained therein, is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the Interim Report in accordance with the Listing Rules of the Financial Services Authority which require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with United Kingdom Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2003.

Ernst & Young LLP
London

25 September 2003

Exploration and Production Interests

as at 30 June 2003

COUNTRY	LICENCE/BLOCK	FIELD/ASSET	OPERATOR	NET INTEREST
UK Commercial Fields and Infrastructure Interests				
UK	Licence P.224/Block 29/2a	Banff	ConocoPhillips	12.40%
UK	Brent Pipeline System	Brent Pipeline	Shell	0.64%
UK	Licence P.213/Block 16/26 (Area P)	Caledonia	ChevronTexaco	25.78%
UK	Licence P.249/Block 14/19	Claymore	Talisman	7.52%
UK	Licence P.472/Block 210/24b	Hudson	Amerada Hess	19.50%
UK	Licence P.226/Block 210/15a	Otter	Total	19.00%
UK	Sullom Voe Oil Terminal	Sullom Voe Oil Terminal	BP	0.38%
UK	Licence P.025/Block 49/22 (Victor)	Victor	ConocoPhillips	10.00%
International Commercial Fields and Infrastructure Interests				
Russia	Vat-Yoganskoye	South Vat-Yoganskoye	Yoganoil	80.00%
Russia[1]	Salym	Upper Salym	SPD	10.00%
UK Exploration Interests including Oil and Gas Discoveries				
UK	Licence P.226/Block 210/15a	–	Total	19.00%
UK	Licence P.1021/Block 210/20d	–	Total	26.00%
UK	Licence P.472/Block 210/24a	Melville	Amerada Hess	19.50%
UK	Licence P.570/Block 210/24b	–	Amerada Hess	19.50%
UK	Licence P.212/Block 211/8a	211/8a-2	CNR	55.07%
UK	Licence P.188/Block 211/11a	–	BP	25.00%
UK	Licence P.090/Block 3/25a (Deep)	3/25a-2	Total	15.00%
UK	Licence P.219/Block 16/13a	Enoch & J1	Shell	11.00%
UK	Licence P.883/Block 21/11a	Dauntless	Amerada Hess	53.50%
UK	Licence P.073/Block 21/12 F1	Goosander	Shell	37.37%
UK	Licence P.073/Block 21/12	–	Shell	48.99%
UK	Licence P.073/Block 21/13a	–	Shell	44.99%
UK	Licence P.883/Block 21/16a	Durward	Amerada Hess	53.50%
UK	Licence P.1051/Block 23/11	–	Amerada Hess	27.00%
UK	Licence P.749/ Blocks 23/16c, d & 17	Barbara	Amerada Hess	27.00%
UK	Licence P.359/Block 23/16b (Deep)	Mortimer	Shell	15.00%
UK	Licence P.224/Block 29/2a	29/2a-2	ConocoPhillips	13.50%
UK	Licence P.607/Block 43/19a	Cavendish	RWE	25.00%
UK	Licence P.894/Block 44/24c	–	Consort	35.00%
UK	Licence P.695/Block 48/7c	48/7c-11	Amerada Hess	20.00%
UK	Licence P.458/Block 48/8c	–	Amerada Hess	20.00%
International Exploration Interests including Oil and Gas Discoveries				
Australia	Exploration Permit WA-226-P	–	Origin	30.00%
Faroe Islands[2]	Exploration Licences 002 & 005	–	ENI-Agip	3.40%
Ghana	Western Tano Contract Area	WT-1X & WT-2X	Dana	90.00%
Indonesia	Pangkah PSC	Ujung Pangkah & Sidayu	Amerada Hess	12.00%
Ireland	Exploration Licences 5/95	–	ChevronTexaco	8.44%
Kenya	Block L5, L7, L10 & L11 PSCs	–	Dana	40.00%
Mauritania	Block 1 PSC	–	Dana	48.00%
Mauritania	Block 7 & 8 PSCs	–	Dana	80.00%
Netherlands	Production Licence F16-E	F16-E	Wintershall	2.22%
Netherlands	Production Licences E15 & F13	F16-E (extension)	Wintershall	1.33%
Netherlands	Exploration Licence A15	A15-3	Wintershall	9.00%
Netherlands	Exploration Licence E18a	E18a-4	Wintershall	5.00%
Netherlands	Exploration Licence B17a	B17a-6	Wintershall	8.83%
Russia[1]	Salym	W Salym & Vadelypskoye	SPD	5.00%
Russia[3]	Sortymskoye	E & W Sortymskoye	Yuganskoil	30.00%

1. Held via Evikhon 2. Held via Faroe Petroleum Limited 3. Held via Yuganskoil

Directors, Advisers and Other Information

DIRECTORS	Charles M Smith, CBE, Chairman * Thomas P Cross, Chief Executive David A MacFarlane, Finance Director Andrew M Bostock, Technical Director Angus M Pelham Burn * Colin R Goodall * * Independent Non-Executive Director and member of Audit and Remuneration Committees	
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