



Dana Petroleum plc

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

**Preliminary Results for the Year Ended 31 December 2005**

**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 2005.**

**HIGHLIGHTS**

**Record Operating Performance**

- Average production rose to a new record high of 19,683 boepd
- Revenue increased 51% to £165.6 million (2004: £109.5 million)
- Profit before tax climbed 232% to £107.8 million (2004: £32.5 million)
- Net profit increased 406% to £64.2 million (2004: £12.7 million) resulting in a near four-fold advance in earnings per share to 80.1p (2004: 16.5p)
- Cash generated from operations up 73% to £107.1 million (2004: £61.8 million)
- Net funds advanced to £91.8 million at end 2005 (end 2004: £20.5m)
- Added net 24.8 million boe of proven and probable reserves in the North Sea, giving a 36% increase to 94.4 million boe, after allowing for production
- North Sea now represents 85% of overall Group proven and probable reserves of 111.5 million boe following strategic exits from projects in Indonesia and Russia
- Total recoverable hydrocarbon resources of 235.8 million boe at end 2005

**Extensive Field Development and Asset Trading Continues Production Growth**

- Asset swapping strategy delivered new North Sea reserves and production from the Hudson and Johnston fields
- Dana achieved accreditation by UK Government as a North Sea production operator
- Successful year of infill drilling and well intervention activity, notably the re-activation of the Mallard oil field and the Johnston gas field extension project
- Gadwall oil field and F16-E gas field developments completed and brought on stream
- Developments approved for the Goosander and Enoch oil fields and the Cavendish gas field, with all three projects on target for first production in the second half of 2006
- Added significant value to portfolio, with new or incremental stakes acquired on attractive terms in five projects to be developed in the next few years

**Successful Exploration and Appraisal Programme**

- 2005 exploration and appraisal drilling campaign delivered four successes from six wells
- Faucon gas discovery offshore Mauritania proved working petroleum system and provides impetus for further exploration of the region
- Drilling delivered new oil discovery at South Melville and proved significant extensions to the Barbara and Johnston gas fields
- Highly successful in the UKCS 23<sup>rd</sup> Licencing Round winning 18 blocks in the Shetland-Faroe Basin and two in the Southern North Sea.
- Good progress in establishing two new business areas offshore Morocco and Egypt
- Large 3D seismic surveys recently acquired offshore Morocco, in the Shetland-Faroe Basin, in the Gulf of Suez and offshore South Australia



## Outlook

- New field developments and further infill drilling expected to result in 2006 production being significantly ahead of 2005 levels
- Company remains on target to increase production capacity to 40,000 boepd by the end of 2007
- Development plans being actively progressed for seven new fields
- Attractive infill drilling opportunities identified in a number of existing producing assets
- Current unhedged position continues to provide full exposure to commodity price strength
- Eleven exploration and appraisal wells planned for 2006, ten of which have rigs committed
- Four of the 2006 exploration wells will target very large prospects offshore Mauritania and Kenya, each with company transforming potential
- Exciting exploration portfolio with participation in up to 40 wells by the end of 2008, targeting potential reserves of 2.1 billion barrels net to Dana.

### Commenting on the Results, Colin Goodall, Chairman of Dana, said:

*“I am delighted to report on the most successful year in Dana’s history, delivering record production and earnings per share in addition to significant progress in international exploration.*

*The Company has driven forward its North Sea development programme resulting in three new oil and gas fields due on stream later this year, taking the Group’s total number of producing fields to 15. In addition, our exploration and new business teams won attractive new licences in the UK and agreed deals for strategic entries into offshore Egypt and Morocco.*

*Dana is on track to increase production capacity to over 40,000 barrels per day by the end of 2007 and has forged an exciting exploration programme featuring up to 40 wells through 2008, which are targeting 2.1 billion barrels of potential reserves net to Dana.”*

**28 March 2006**

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## **DANA PETROLEUM PLC**

### **Preliminary Results for the Year Ended 31 December 2005**

#### **CHAIRMAN'S AND CHIEF EXECUTIVE'S REVIEW**

##### **INTRODUCTION**

We are delighted to report on another year of record operating performance with new highs established in production, revenue, cash flow and profit. Dana has 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 40 well exploration and appraisal drilling programme with the potential to deliver major upside over the next three years.

Throughout 2005, 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 Hudson fields, both delivered through its asset swapping strategy, and acquired, on very attractive terms, new or incremental stakes in no less than five new fields to be developed over the next few years. This commercial activity was complemented by significant progress on existing assets, with two additional oil and gas fields brought on stream, three new developments sanctioned and underway, and further infill drilling within already producing fields. Dana also achieved accreditation as a UK production operator on the Hudson field which in itself opens up new opportunities.

Alongside these production growth activities, Dana continued to pursue an ambitious exploration and appraisal programme. The 2005 drilling campaign delivered four successes from six wells, including the important Faucon gas discovery offshore 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 excellent results in its bids in the UKCS 23<sup>rd</sup> Licensing Round. In addition, Dana accelerated the acquisition of extensive new 3D seismic surveys on existing acreage.

Looking ahead, 2006 production is expected to move ahead of 2005 levels and the Company remains on target to increase production capacity to 40,000 boepd by the end of 2007. Eleven exploration and appraisal wells are now planned for 2006, of which ten already have firm rig commitments. This includes four wells in the second half 2006 which will target very large prospects offshore Mauritania and Kenya, each of which has company transforming potential. A total of up to 40 wells are now being planned for the period to the end of 2008, targeting potential reserves of 2.1 billion barrels net to Dana.

##### **RESULTS**

The 2005 results are Dana's first full year figures prepared under International Financial Reporting Standards (IFRS). As part of the transition to IFRS, the Company has been required to revise its accounting policies and to restate previously reported UK GAAP results. All comparative figures have been restated for IFRS and the new accounting policies.

With average daily oil and gas production growing to 19,683 boepd (2004: 18,608 boepd) and an increased average realised price of \$42.24 per boe during 2005 (2004: \$29.45 per boe), revenue for the period increased by 51% to £165.6 million (2004: £109.5 million). Profit before tax grew by some 232% to £107.8 million (2004: £32.5 million). Profit after tax increased by 406% to £64.2 million (2004: £12.7 million) resulting in a near four-fold improvement in earnings per share to 80.1p (2004: 16.5p).



Cash generated from operations grew 73% to £107.1 million (2004: £61.8 million) and, including the proceeds of the share placing in November 2005, net cash increased by £71.3 million during the year, leaving the Company with a strong net cash position of £91.8 million at the end of 2005.

Having carefully considered the financing requirements for Dana's exploration and development programme over the next few years, and recognising the Company's plans to grow and add value through commercial transactions, the Directors believe that retaining profits at this time will lead to optimal returns from project investments. Therefore, in line with current strategy, the Directors do not recommend payment of a dividend, but will keep this under review as projects are delivered and exploration opportunities assessed.

Some 24.8 mmboe of proven and probable reserves were added in the North Sea during 2005 due to the net effect of discoveries, acquisitions, disposals and field revisions. This more than offset North Sea production of 6.6 mmboe. Net additions thus replaced 375% of North Sea production and North Sea proven and probable oil and gas reserves at 31 December 2005 increased to a record high of 94.4 mmboe. These reserve increases in the North Sea in large part mitigated the divestment of 30.8 mmboe of reserves which occurred when the Group completed its strategic exit from Indonesia and the Russian company Evikhon during the reporting period. Overall Group proven and probable oil and gas reserves at 31 December 2005 were 111.5 mmboe, of which 85% are now held in the North Sea. The Group's best estimate of its end 2005 contingent resources (technically recoverable hydrocarbons not yet determined to be commercial) was a further 124.3 mmboe. Therefore the total recoverable hydrocarbon resources available to the Company at end 2005 were 235.8 mmboe, of which 47% are currently classed as proven and probable reserves.

## **OPERATIONAL HIGHLIGHTS**

### **Production and Development**

Group production averaged 16,613 bpd of oil and 17,810 mscf/d of gas in 2005, giving a total of 19,683 boepd, some 84% of which was oil production. Approximately 91% of 2005 production came from Dana's portfolio of eleven North Sea fields with the remainder from the South Vat-Yoganskoye field in Western Siberia. This overall increase in production levels was due to oil and gas output from new fields (Gadwall, Johnston and F16-E) and an increased stake in the Hudson field more than offsetting the natural decline in production elsewhere.

The continuing growth of Dana's production and development business is being achieved through both commercial and development routes. The value of the Group's strategy of exchanging international exploration success for production and development in the North Sea was clearly demonstrated in March when Dana exchanged its non-core, Indonesian pre-development gas interests for an additional 28% interest in the producing Hudson oil field and realised a substantial gain on completion of the deal. The Company was also appointed as operator of the Hudson field, thus providing increased commercial flexibility to take on operated as well as non-operated North Sea positions in the future.

A further exchange transaction saw Dana gain an interest in the Johnston gas field and new or incremental stakes were acquired, on very attractive terms, in five new fields to be developed in the near future, namely the Monkwell, Barbara, Babbage and Gunn gas fields and the Melville oil field. An exchange transaction agreed with Gaz de France in November 2005 and a more recent agreement with Venture to acquire an interest adjacent to the Greater Kittiwake area (GKA) in Block 21/20 will, if successfully completed, also add the Anglia gas field and the Christian oil field to Dana's production and development portfolio. The sale of the Company's minority shareholding in Evikhon, the Russian joint stock company, was also completed during the year, at an attractive price of \$28 million.

Investment in field development saw the Gadwall oil field and the F16-E gas field brought on stream in April and November respectively. Additionally, infill drilling and well intervention activity in the Mallard, Otter and Claymore oil fields and the Johnston gas field resulted in further North Sea production and reserves growth.



Development of the Goosander and Enoch oil fields and the Cavendish gas field is well advanced, with all three fields currently expected to deliver first oil and gas in the second half of 2006. With further infill drilling and well intervention work planned in the Otter, Gadwall, Mallard, Banff, Claymore and F16-E fields, average production in 2006 should see significant growth over 2005 levels.

Looking further ahead, development plans are being actively considered for seven new fields, namely the Monkwell, Barbara, Babbage and Gunn gas fields and the Melville, Grouse and Christian oil fields. It is anticipated that a number of these will be sanctioned for development in 2006 with late 2007 first production targets. With attractive infill opportunities in the Hudson and Johnston fields also being targeted for execution in the near term, the Company remains on target to increase production capacity to 40,000 boepd by the end of 2007.

## **Exploration and Appraisal**

Dana's 2005 exploration and appraisal drilling campaign delivered four successes from six wells. The most important of these was potentially the Faucon discovery made in Block 1 offshore Mauritania. Although the volume of gas encountered in this first well would not justify near term development on a stand alone basis, this discovery is significant, having demonstrated both that a working petroleum system exists in the vastly under-explored region of southern Mauritania and that sufficient reservoir sand is present to create the potential for major discoveries in this area. Faucon therefore provides enormous encouragement for the additional prospects already identified in Block 1 and also for the future exploration of Dana's neighbouring licence interests including the St. Louis Block in Senegal which adjoins Block 1 to the south.

Dana's North Sea programme also began well with the discovery in March of the South Melville oil field, located just six kilometres to the south of the Hudson field. The next two well results were also positive, proving significant extensions to the Barbara and Johnston gas fields. Although Dana's last two North Sea exploration wells, drilled to test the Fiacre and Clachnaben prospects, found only traces of hydrocarbons, pre-drill evaluation had identified both of these prospects to be of higher risk than the Company's other 2005 North Sea wells, and Dana had therefore offset its costs on these wells through farm-out ahead of drilling.

Important progress was also made towards future exploration drilling. Agreements have been executed to contract the Atwood Hunter drilling rig for two further wells offshore northern Mauritania in 3Q 2006. The first well will target the very large 'Flamant' prospect in Block 8, with the potential for gas in place exceeding 6 trillion cubic feet. The second well will look for additional hydrocarbons near to the Pelican gas discovery already made by Dana in Block 7. The final location of this latter well will be based on detailed interpretation of the additional 3D seismic data acquired up-dip and inshore of the Pelican gas discovery during 2005.

High impact exploration drilling has also been firmed up offshore Kenya where plans are being finalised to drill up to two wells in 4Q 2006 utilising the 'Chikyu' deepwater drillship. The first well is likely to target the 'Pomboo' prospect, in Block L5, with an option to drill a second well on the 'Sokwe' prospect, in Block L7, if the results of the first well are encouraging. Both of these prospects have the potential to contain over one billion barrels of oil equivalent. Dana has built a valuable commercial position in Kenya, holding a 30% working interest but having two thirds of its costs carried by the operator, Woodside Energy.

Offshore southern Mauritania, success at Faucon has provided the impetus to extend 3D seismic coverage southwards into Senegalese waters. This is likely to commence later in 2006 with a view to drilling in 2008. With a similar timescale for drilling, a 3D seismic survey has also just been completed over the most promising leads in Dana's exploration permits offshore South Australia.

Commercial activity was once again prominent in delivering future exploration opportunities. Dana created opportunities to enter two new countries in 2005, securing a 26.25% interest in the NW Safi exploration licence, offshore Morocco, and reaching agreement to acquire a 20% interest in the South Feiran block, in the Gulf of Suez, Egypt, subject to regulatory approval. With Dana's support,



large 3D seismic surveys have recently been acquired within both of these licences, with a view to drilling in 2007 or 2008, subject to rig availability.

Dana was also successful in growing its exploration portfolio in UK waters. The Company won 20 blocks in the UKCS 23<sup>rd</sup> Licencing Round, 18 in the Shetland-Faroe Basin and two in the southern North Sea. The Shetland-Faroe Basin licences complement Dana's existing exposure to this highly prospective region gained through its 17.2% shareholding in Faroe Petroleum plc (FP) which holds an extensive licence position in both UK and Faroese waters. Dana is moving swiftly to exploit its directly held licences, having already acquired a large volume of 3D seismic data to keep open the possibility of exploration drilling in summer 2007, subject to rig availability. As the largest shareholder, Dana will also benefit from any exploration success FP has in 2006 when it drills an exploration prospect to the north of the Claymore field and a large structure in Faroese waters named 'Brugdan'.

A series of very low cost North Sea acquisitions have created, in a short period of time, an attractive acreage position around the Cleeton/Ravenspurn production infrastructure. These deals included the acquisition of a 40% interest in the Babbage gas field, where a key appraisal well will now be drilled in the first half of 2006, and a number of other exploration wells are expected to emerge from this area during 2007 and 2008. The 2005 acquisition of interests in northern North Sea Blocks 211/22 and 211/23 will also yield further exploration drilling in 2006 when a dual objective well will both appraise the 211/23-11 oil discovery and test the large 'Causeway' exploration prospect. The remaining firm well in the 2006 drilling programme will target the DF gas prospect in Block E18a, offshore the Netherlands. Depending on the outcome of ongoing development optimisation studies, a further appraisal well may also be drilled in the Barbara field later in 2006.

Beyond 2006, Dana's exploration and appraisal drilling programme is set to continue at pace. In the period 2007-2008, the Company is currently planning on participating in up to a further 29 wells at a rate of 10 to 15 per year with the final schedule depending on the timing of rig availability. Of this total, some 50% of the wells are expected to target high impact exploration prospects in the international arena and the Shetland-Faroe Basin.

## **BOARD AND CORPORATE GOVERNANCE**

As planned, Charles Smith, who led the Board as Chairman with great skill, diligence and integrity during the formative years of Dana, retired as a Non-Executive director at the AGM on 28 July 2005. Prior to Charles' departure, Ian Rawlinson was appointed as a Non-Executive director with effect from 31 March 2005 and became Chairman of the Audit Committee in December 2005. In recognition of Dana's continuing development, Philip Dayer was appointed as a Non-Executive director with effect from 16 March 2006 and we look forward to the valuable input which both Ian and Philip will make to the Group during the next few years of growth.

## **STRATEGY**

Dana's strategy is to create significant asset value per share by delivering strong growth in hydrocarbon reserves, production and earnings over the medium-term. Dana's strategy, based on the combined experience of the Board, has four key elements:

1. **BALANCING INVESTMENT** between a low risk acquisition and field development programme aimed at maintaining steady growth in production and reserves and a high-impact exploration drilling programme which has the potential for company transforming step-change growth;
2. **MAXIMISING THE PROBABILITY OF SUCCESS** by reducing the technical risk associated with individual investments to a minimum and by ensuring the Company always holds a portfolio of attractive exploration prospects and development opportunities;
3. **USING EXPLORATION AS LEVERAGE TO ACCELERATE GROWTH** by trading long-term or higher risk discoveries or prospects for near-term production and gearing up these swap transactions with cash where possible; and



4. OPERATING A SOUND FINANCIAL FRAMEWORK which ensures that investment returns are robust to project variation and commodity price.

This strategy has served the Company well, delivering ten years of rising production and earnings and positioning the Group with an exceptional portfolio of future drilling opportunities.

## **OUTLOOK**

With three new field developments well advanced and further infill drilling planned, average production in 2006 is expected to show strong growth over 2005 levels and will be influenced by the precise timing of production start-up from the new fields, as well as the completion of ongoing commercial transactions. Dana continues not to hedge with respect to oil price, thereby providing full exposure to the continuing strength of commodity prices.

The Group is currently planning to drill 11 exploration and appraisal wells in 2006, 10 of which already have rigs contracted. Four of these wells, two offshore Mauritania and two offshore Kenya, will target very large prospects with company transforming potential. Overall in 2006, Dana expects to invest some £140 million within its existing fields and exploration licences. Approximately £100 million of this investment programme will be spent on North Sea development activity with the remaining £40 million targeting international exploration and appraisal drilling.

Looking further ahead, development plans are being considered for seven additional new fields, and the Group remains on target to increase its production capacity to 40,000 boepd by the end of 2007. The Company is also planning on participating in up to a further 29 wells by the end of 2008, some 50% of which will target high impact exploration prospects in the international arena or the Shetland-Faroe Basin. Overall, Dana's 40 well exploration and appraisal programme is targeting a total of 2.1 billion barrels net to the Company on an unrisks basis.

To complement its organic growth programme, Dana will continue to pursue acquisition and trading opportunities which will further strengthen its asset base. In particular, the Group will focus on its proven strategy of using its exploration positions to create exclusive swap transactions which can then be geared up by investing its cash reserves to create larger value additions.

Following Dana's strategic positioning offshore Morocco and Egypt during 2005, it is working hard to build further in both provinces. The exchange transaction agreed with Gaz de France (GdF) in November 2005 is one such opportunity which would deliver a further asset in Egypt, namely a 30% interest in the West El Burullus concession in the Nile Delta, upon completion. The related transaction, which would have seen Dana acquire a minority interest in blocks onshore Algeria for a cash consideration of \$93 million, is not now expected to complete as GdF has been unable to gain the necessary approvals within Algeria to divest. Notwithstanding this, discussions have commenced with GdF on how the existing commercial agreements could be adjusted to allow the exchange deal to continue towards completion. These discussions include the potential for GdF to assign to Dana other exploration and production assets in Dana's core areas of business. As previously reported, the exchange deal itself would see Dana gain a free carry on a three well drilling campaign offshore Mauritania plus two new UK gas production interests at the Johnston and Anglia fields, in addition to the West El Burullus stake offshore Egypt.



In summary, the outlook is very bright. Dana has a strong asset base combining healthy cash reserves, a robust production portfolio delivering strong cashflow, an array of field development opportunities and an exciting 40 well exploration and appraisal drilling programme with the potential to deliver very significant upside over the next three years. The quality of Dana's asset base, and the value being delivered from it, is a direct result of a sound strategy being implemented by a talented team of people. On behalf of the Board and Shareholders we would like to take this opportunity to formally thank all staff for their commitment and enthusiasm during 2005.

**28 March 2006**

**Colin Goodall**  
**Chairman**

**Tom Cross**  
**Chief Executive**



## REVIEW OF OPERATIONS

### 1. EUROPE

#### North Sea Production and Development

Dana's eleven producing North Sea fields accounted for some 91% of total Group production in 2005, delivering an average of 17,901 boepd, an increase of nearly 10% over the equivalent period in 2004 (16,338 boepd). Oil constituted approximately 83% of this volume averaged over the year.

In the Northern North Sea, Dana added high quality oil production and reserves through both commercial and organic routes in 2005. In March, the Company increased its interest in the Hudson oil field to 47.5% by exchanging its non-core, Indonesian pre-development gas interests for an additional 28% interest in Hudson. Dana was also appointed as operator of the Hudson field following approval by the joint venture group and the UK government. Since acquisition, production has been generally above expectations.

A detailed subsurface analysis of the Hudson field is now nearing completion and has yielded some attractive infill drilling targets, the first of which will be drilled once a drilling rig becomes available. A review of how the development of the recently discovered South Melville area can be integrated with future Hudson drilling is also underway.

A well workover and re-completion campaign was successfully completed on the Otter field (Dana 19.0%), opening up new reservoir sands and boosting oil production from the fourth quarter. As a result, further infield activity is now planned to commence in April 2006 with two well workovers and a sidetrack of a water injection well designed to increase sweep efficiency.

In the Central North Sea, the Greater Kittiwake Area (GKA) (Dana 50%) remains a key area of investment focus for Dana with three oil fields now in production and a fourth under development. The Kittiwake field itself continues to benefit from production optimisation initiatives to provide a solid foundation for the satellite fields. These include the Mallard field, where a new water injection well was drilled with spectacular success, re-energising the field to deliver at rates of up to 13,000 bopd. The Gadwall oil field was brought on stream in April 2005, and has performed well. A subsequent water injection well, designed to maintain production levels and boost reserves, was therefore drilled in the Gadwall field in early 2006 and is awaiting commissioning.

Development of the Goosander oil field as the third GKA satellite is underway, having achieved final development sanction in January 2006. First oil is targeted for the third quarter of 2006. A further water injection well designed to increase recovery efficiency in the northern area of the Mallard field is also under consideration for 2006. Development options for the remaining satellite fields, Grouse, Durward and Dauntless, are also under review for implementation in 2007/08 with further appraisal drilling at Grouse likely to be recommended prior to final commitment. The potential for tying back other fields currently outside of the GKA also exists. In particular this is likely to include the Christian field, located in Block 21/20 directly to the east of the GKA, in which Dana has recently agreed to acquire an interest.

Elsewhere in the Central North Sea, development of the trans-median Enoch field (Dana 8.8%) is progressing, having received approval from both the UK and Norwegian governments in 2005. First oil is expected to flow in the third quarter of 2006. Development planning for the Barbara gas field has also commenced following the recent drilling success to the East, with a view to commencing production in 2008. Factors under consideration include the benefits of further appraisal drilling in the Barbara area and the potential to undertake a larger joint development of Barbara with the neighbouring Phyllis gas field, operated by Shell.

Infill drilling and well workovers continue to produce positive results on the Claymore oil field (Dana 7.5%) and further workovers and a new infill well are planned in the Banff oil field (Dana 12.4%) with a target to maintain production at current levels.



In the Southern North Sea, Dana grew its gas production base in 2005 with the acquisition of a 27.8% interest in the Johnston gas field followed by the successful Johnston appraisal well. After sidetracking and completing this well as a horizontal gas producer it was brought on stream towards the end of November, initially more than doubling the total Johnston field production potential. In the Dutch sector, the F16-E gas field (Dana 1.2%) was also brought on stream in late November.

Looking forward, the UK Southern Basin is expected to become an increasingly important component of Dana's North Sea business with an intense development programme. The Cavendish gas field (Dana 25%) is on track to commence production in Q4 2006, having recently achieved partner and government development approval. The exchange transaction agreed with Gaz de France in November 2005 would, once completed, add further production from the Anglia and Johnston gas fields.

Further infill well locations in the Johnston field have been identified for drilling in late 2006/2007 alongside a potential development of the smaller Gunn gas field to the south of Johnston. If the forthcoming appraisal of the Babbage gas field is successful, it too could move forward to an early development sanction. Dana is also actively progressing engineering studies on the Monkwell gas field (Dana 100%) targeting near-term gas production as a subsea tie-back to the BP operated Cleeton gas transportation and production infrastructure.

### **North Sea Exploration and Appraisal**

Dana's 2005 exploration and appraisal drilling campaign delivered three successes from five wells. The programme began positively with the discovery in March of the South Melville oil accumulation (Dana 26.6%), located just six kilometres to the south of the Hudson field, where Dana now operates the production infrastructure.

The next two wells in the programme were also successful. Firstly, a well, targeted one and a half kilometres to the east of the Barbara discovery well, confirmed an extension of the field into neighbouring Block 23/16b and earned Dana a 40% stake in this block through a farm-in agreement. The Barbara field is now believed to extend over three Central North Sea blocks where, overall, Dana holds the majority stake and is therefore well placed to drive the project forward as operator. Secondly, a well drilled nearly seven kilometres to the south-east of the currently producing area of the Johnston gas field (Dana 27.8%) also confirmed the presence of additional hydrocarbons and hence a significant new area of gas reserves. This well was sidetracked to become a horizontal producer which was brought on stream at high rates in the fourth quarter of 2005.

The fourth exploration well of 2005, Fiacre, tested an interesting, dual Jurassic/Forties play in Block 23/11 (Dana 80%), to the north of the Barbara field. The deeper Jurassic sandstone target was found to be present as predicted and of good reservoir quality, but water bearing. However, the shallower Forties sandstones were found to be hydrocarbon bearing and, whilst the recoverable volumes present at this location are estimated to be small and non-commercial, these results provide encouragement for further appraisal of the block. The final well of 2005 was drilled to test the Clachnaben oil prospect (Dana 50%) in Block 211/22 in the Northern North Sea. Although some oil shows were observed, the reservoir sands were interpreted to be predominantly water bearing.

Further exploration drilling in this area of the Northern North Sea is planned in 2006. A dual objective well will be drilled in neighbouring Block 211/23 (Dana 21%) to both appraise the historic 211/23-11 discovery well, which tested at rates of nearly 9,000 bopd in 1992, and to test the eastern end of the large 'Causeway' prospect which extends across Blocks 211/22 and 211/23. Should this well be successful, it is planned to test the western end of the prospect, in Block 211/22, in 2007.

Further Northern North Sea exploration wells are also being planned for 2007 and 2008. These include the J1 prospect (Dana 25%), a potential satellite to the BP operated Magnus oil field, and satellite prospects to the Hudson oil field (Dana 47.5%) and Otter oil field (Dana 19%).

In the Central North Sea, further appraisal wells may be required ahead of finalising development plans for the Barbara field (Dana approximately 65%) and the Grouse field (Dana 50%) with these wells likely to occur in the second half of 2006 and 2007 respectively. As the largest shareholder in



Faroe Petroleum plc (FP), Dana will also be interested in any success from the exploration well to be drilled by FP to test a prospect in the Halibut Horst area, to the north of the Claymore field.

In the Southern North Sea, Dana built a strong position in and around the Johnston gas field and related infrastructure in 2005 through a combination of acquisitions and the award of two blocks in this area in the UKCS 23<sup>rd</sup> Licencing Round. These deals included the acquisition of a 40% interest in the Babbage gas field which has the potential to contain up to 390 billion cubic feet of gas-in-place. Following Dana's acquisition, a key appraisal well will now be drilled on Babbage in the first half of 2006, targeting the crestal area of the reservoir in order to confirm reservoir productivity ahead of a development decision.

Dana also acquired a 100% interest in and around the Monkwell gas field where two exploration wells are planned in 2007 to test the 'Colden Parva' and 'Scolty' gas prospects subject to rig availability. With the Cavendish gas field expected on stream towards the end of 2006, the first of a number of exploration wells in this area can also be anticipated in 2007.

Offshore the Netherlands, an exploration well is planned in 2006 to test the DF gas prospect in Block E18a (Dana 5%) once development drilling activity is completed on the neighbouring F16-E gas field. A further prospect, FS, is expected to be drilled in 2007.

### **Shetland-Faroe Basin**

In the UKCS 23<sup>rd</sup> Round, Dana was awarded licences covering a large area in the highly prospective West of Shetland region. The Group was awarded three licences comprising 18 blocks, of which 17 are in Quads 208 and 209 in the Faroe-Shetland Basin (Dana 30%) where a large volume of 3D seismic data has been recently acquired. Preliminary interpretation of this data is encouraging with a number of obvious leads identified as future drilling targets, possibly as early as 2007. Block 204/14b (Dana 30%) was also awarded to Dana and the Company has subsequently acquired a 30% interest in the neighbouring Block 204/13. Both these blocks lie in the prolific Foinaven Sub-Basin to the north of the producing Foinaven and Schiehallion oil fields and contain the large Tornado prospect which is also targeted for drilling in 2007.

These directly held licences complement Dana's existing exposure to the Shetland-Faroe Basin through its 17.2% shareholding in Faroe Petroleum plc (FP). FP holds an extensive licence position in both UK and Faroese waters where it plans to drill the 'Brugdan' prospect in 2006.

## **2. INTERNATIONAL**

### **Southern Mauritania & Senegal**

Following encouragement from the electromagnetic surveys conducted in Block 1 offshore Mauritania (Dana 60%) earlier in 2005, an exploration well to test the Faucon prospect was drilled in December. This well found 46 feet of net hydrocarbon bearing Cretaceous sandstone in two intervals above a further 270 feet of potential sandstone reservoir. Hydrocarbon fluid samples recovered from the well, together with an in-depth analysis of log data, currently suggest that Faucon has discovered a predominantly gas accumulation with gas in place volumes in the region of 200 billion cubic feet.

Although the volume of gas encountered in this first well would not justify near term development on a stand alone basis, this discovery is very important, having proven a working petroleum system in this greatly under-explored region of southern Mauritania. The gas encountered is believed to have been generated from a deeper source rock than that generating oil and gas further to the north and thermal modelling indicates that this new source is mature across most of this southern region of offshore Mauritania. The Cretaceous sands intersected at Faucon have also demonstrated that significant potential reservoir sand is available to facilitate much larger discoveries in this play fairway. The well results therefore provide enormous encouragement for the additional prospects already identified in Block 1, such as Petrel, and also for the future exploration of Dana's neighbouring licence interests, namely Block 2 (Dana 6.25%) immediately to the north and the St. Louis Block in Senegal (Dana 30%) which adjoins Block 1 to the south.



Given this encouragement, Dana has entered the second exploration period for Block 1 thereby committing to drill one further exploration well, which will probably test the Petrel prospect in 2007. A further well is also expected in Block 2 in 2007. Based on the interpretation of the Faucon-1 well results, it has been concluded that it will be beneficial to acquire 3D seismic in the St Louis Block before drilling an exploration well in Senegal. This survey is likely to commence in late 2006 probably in combination with an incremental survey covering the southern area of Block 1.

### **Northern Mauritania**

In 2005, Dana made good progress with the interpretation of the large 3D seismic surveys acquired in Block 7 (Dana 63.85%) and Block 8 (Dana 41.5%) offshore northern Mauritania with encouraging results. The Group has consequently elected to enter the second exploration period for Block 8 and agreements have been executed to contract the Atwood Hunter drilling rig to drill a well in each of these blocks in 3Q 2006. The first of these wells will test the very large 'Flamant' prospect in Block 8 which detailed seismic interpretation indicates has the potential for gas in place exceeding 6 trillion cubic feet. This will be followed by a further well in Block 7, which will utilise the additional 3D seismic data acquired up-dip and inshore of the Pelican gas discovery made by Dana with its first Block 7 well in late 2003.

Alongside this exploration activity, discussions have begun with companies able to assist Dana in establishing a route to commercialise the large volumes of gas being discovered offshore Mauritania, probably through a liquefied natural gas ('LNG') scheme. These plans will be reviewed and amended as necessary once the results of the aforementioned two exploration wells are known.

### **Morocco**

Dana gained entry to the Moroccan Atlantic Margin in 2005, by securing a 26.25% interest in a new eight year exploration licence, NW Safi. This block is in an area of offshore Morocco where preliminary indications from recently acquired 2D seismic are very encouraging, revealing numerous pronounced structures. A large 3D seismic survey was therefore acquired in late 2005/early 2006 with a view to firming up drilling targets from leads identified from the earlier 2D seismic. This will allow Dana to make an informed decision on whether or not to enter the second exploration period in September 2007 and commit to an exploration well in 2008.

### **Kenya**

Interpretation of an infill 2D seismic survey acquired in early 2005 confirmed the presence of very attractive exploration prospects in Blocks L5 and L7 offshore Kenya, and preparations are now underway to drill a well in each of these Blocks in 4Q 2006 utilising the 'Chikyu' deepwater drillship. The first well is likely to target the 'Pomboo' prospect in Block L5, with an option to drill a second well on the 'Sokwe' prospect immediately thereafter if the results of the first well are encouraging. Each of these prospects has the potential to contain over one billion barrels of oil equivalent. Dana holds an attractive commercial position in Blocks L5 and L7, with two thirds of the costs associated with its 30% interest being carried by operator Woodside Energy.

### **Egypt**

Dana has recently taken a number of steps to commence building a material new business in Egypt. Subject to regulatory approval and partner and Government consent, Dana expects to acquire a 20% interest in the South Feiran block from CEPSA in the near future. The South Feiran block is located in the Gulf of Suez, which remains a highly prospective region with established production infrastructure. With Dana's support, a significant 3D seismic survey was acquired over the block in early 2006 with a view to 2007 exploration drilling.

The exchange transaction agreed with Gaz de France in November 2005, if successfully completed, will deliver a further asset in Egypt in the form of a 30% interest in the West El Burullus concession in the Nile Delta. Dana also expects to be an active participant in bid groups in forthcoming Egyptian licencing rounds.



## **Australia**

Offshore South Australia, Dana holds an interest in exploration permits EPP 28, EPP 29, EPP 30 and EPP 31 located in the Great Australian Bight. These cover a vast area of approximately 65,000 sq. km. in which a number of sizable leads have already been identified. Following a 2D seismic survey completed over EPP 31 in January 2005, acquisition of a large 3D seismic survey over the most promising leads has recently been completed. Exploration drilling in this area is currently targeted for 2008.

## **Russia**

The South Vat-Yoganskoye oil field (Dana 80%) is now Dana's principal asset in Western Siberia following the sale of the Company's minority investment in the Evikhon joint stock company in early 2005. Production from the field averaged 1,782 bopd in 2005, representing 9% of total Group production. These levels are in line with the forecast for the field in its natural decline and a review of opportunities to boost production at South Vat-Yoganskoye through infill drilling is ongoing.



## FINANCIAL REVIEW

Dana delivered another year of record financial performance in 2005 through a combination of production growth and good capital discipline which together allowed the Group to maintain an unhedged exposure to the strong oil price environment. This was further enhanced by gains resulting from the Company's commercial activities.

### International Financial Reporting Standards

In accordance with European legislation, Dana has, for the first time, adopted International Financial Reporting Standards (IFRS) in preparing its financial statements from 1 January 2005. This required restating periods previously reported under UK GAAP in order to establish opening balances and comparative figures. In line with this requirement, Dana adopted IFRS as its accounting basis from the beginning of 2005, and this was first reflected in the Group's 2005 Interim Report. It was highlighted that these results had been prepared on the basis of the then current interpretations of the existing standards and those pronouncements that were expected to be endorsed by 31 December 2005, and that such standards were subject to ongoing review and possible future amendment by interpretative guidance from the International Financial Reporting Interpretations Committee (IFRIC).

In November 2005, IFRIC did issue further guidance, which noted that the scope for IFRS 6 "Exploration and Evaluation of Mineral Resources" was to grant relief only to policies in respect of exploration and appraisal activities and that such relief did not extend to activities before or after the exploration and evaluation phase. Accordingly accounting policies for development and production activities were therefore to be based on the provisions of other existing IFRS.

Following this clarification, Dana has revised its oil and gas expenditure accounting policies. From the date of transition to IFRS (1 January 2004), for development and production activity, Dana will now apply its capitalisation, depletion and impairment policies primarily on an individual field basis. As a result, the accounting policies for exploration and appraisal activity have also been revised, and now once deemed unsuccessful, exploration will be written off to the income statement. This occurs in the period when either all appraisal activities have been completed and the technical feasibility or commercial viability has not been established, or when the legal right to explore expires, or when the Company decides to discontinue exploration activity.

As a consequence of these changes, Dana has revised its restatement of prior periods to reflect current IFRS interpretations and the new accounting policies. Full updated details of the Company's conversion to IFRS, the restatement of 2004 UK GAAP financial information, and the Group's revised accounting policies are being made available on the Company's website at [www.dana-petroleum.com](http://www.dana-petroleum.com).

The principal adjustments from adopting IFRS arise from the following standards:

- Share based payments - IFRS 2
- Income taxes - IAS 12
- Financial instruments - IAS 32 & 39
- Oil & Gas expenditures - IAS 16 & IFRS 6

These particular standards will continue to impact on the Group's future financial reporting, however, these accounting changes have no impact on any of the fundamentals of the business including strategy, economic value or cash flow.

### Revenue

Annualised average production for the year was 19,683 boepd (2004: 18,608 boepd), with 91% delivered from the UKCS (2004: 88%). Oil accounted for 84% of production (2004: 86%).



The 2005 realised price for Dana's UKCS crude sales was \$55.39 per barrel (2004: \$34.49 per barrel). This was ahead of the average Brent crude price in 2005 of \$54.52 reflecting the premium typically secured by Dana's commercial team for the Company's crude. Including gas, the realised price for Dana's overall North Sea production increased to \$46.49 per boe (2004: \$31.73 per boe). The realised price for the Group's Russian crude sales in the period also improved to \$22.38 per barrel (2004: \$16.67 per barrel). Overall, the Group realised a revenue per boe of \$42.24 during 2005 (2004: \$29.45 per boe). Consequently, Revenue increased to a record level of £165.6 million (2004: £109.5 million), an increase of 51%.

### **Operating Profit**

Overall, there was a significant (180%) improvement in operating profit to £105.7 million (2004: £37.8 million). This was principally due to the improved gross margin of 56.6% (2004: 46.8%) and was achieved despite the industry cost pressures previously highlighted in the 2005 Interim Report, which saw cost of sales increasing to £10.00 per boe (2004: £8.56 per boe). 2005 operating profit also included a credit relating to the revised accounting policies, and in particular, the fair value gain of £15.6 million arising on the Hudson – Pangkah exchange agreement. This more than offset pre-licence expenditure written off and the cost of unsuccessful exploration during 2005.

As expected, administrative expenses increased during the year as the Group developed to run its expanding operated portfolio, but this was offset by exchange gains on the Group's increasing US dollar cash balances. As a result administrative expenses of £0.22 per boe for 2005 compares favourably with the 2004 outcome of £0.49 per boe.

### **Profit for the Year**

Operating profit was supplemented by a £3.5 million gain on sale of the Group's investment in Evikhon. The net interest charge of £1.4 million (2004: £2.4 million) was in line with expectations, with higher interest income offsetting the accretion for the Group's decommissioning provisions for new producing field interests. Overall, pre-tax profit increased by over 230% to £107.8 million (2004: £32.5 million).

The effective tax rate for the year was 40.5% (2004: 61%). The taxation charge for the year was affected by several factors, principally the IFRS adjustments and the revised oil and gas expenditure accounting policies. Also the Group has now been able to avail itself of Substantial Shareholding Relief, such that the gain on sale of the Group's investment in Evikhon is non-taxable. Going forward, the changes announced by the Chancellor increasing the rate of supplementary charge by 10%, is expected to correspondingly increase the Company's future annual effective tax rate. In addition, once the change in legislation is ratified by parliament in 2006, there will be a one-time charge to adjust the Group's current provision for UK deferred tax to the new rate of tax.

The resultant profit for the year increased by over 400% to £64.2 million (2004: £12.7 million) and earnings per share of 80.13p (2004: 16.48p) represents a near four-fold improvement over the previous year, and a record result for the Company.

### **Balance Sheet**

Net capital additions during 2005 were £116 million (2004: £32.1 million) with £85 million invested on development assets, primarily in the Greater Kittiwake area, Johnston and Hudson fields and £31 million on the 2005 exploration and appraisal programme. A significant number of these capital projects occurred at the end of 2005, and accordingly £34.4 million of this expenditure is accrued and accounts for the majority of the increase in Trade and Other Payables.

In November 2005, the Group raised approximately £34 million via the placing of 3,953,498 new ordinary shares of 15p each, representing approximately 5% of the issued share capital of the Company at that time.

Net assets at 31 December 2005 had grown considerably to £271 million (2004: £158 million).

### **Cash Flow**



Cash generated from Group operations rose by 73% to £107.1 million (2004: £61.8 million). After net interest and a significantly increased UK tax spend totalling £21.5 million, £53.9 million cash was expended on capital projects (net of acquisitions and disposals), and a net £26 million was raised from the issue of shares less debt repayments. A total of £11.6 million of the Group's bank debt remains outstanding at the end of the year (2004: £20.8 million). The Group closed 2005 with £91.8 million of net funds, a £71.3 million improvement from the position at the start of 2005.

Dana's borrowing base capacity continues to substantially exceed its current Bank facility arrangements, retaining significant scope to finance further growth opportunities.

### **Risk Management**

The Company was unhedged throughout 2005. Given the strength of the Company's cash position, and continued high world oil prices, no further commodity hedging has been committed, ensuring Dana enjoys full exposure to current international commodity prices. The Board will however, continue to closely monitor the risks associated with commodity price, interest rate and currency fluctuations, and manage these with regard to the Company's forward capital commitments.

**David MacFarlane**  
**Finance Director**  
**28 March 2006**



# DANA PETROLEUM PLC

## Preliminary Results

### Group Income Statement for the year ended 31 December 2005

	2005 £'000	2004 £'000
<b>Revenue</b>	<b>165,625</b>	<b>109,476</b>
Cost of Sales	(71,836)	(58,294)
<b>Gross Profit</b>	<b>93,789</b>	<b>51,182</b>
Exploration and Evaluation	13,550	(10,065)
Administrative Expenses	(1,600)	(3,363)
<b>Operating Profit</b>	<b>105,739</b>	<b>37,754</b>
Gain on Sale of Available-for-Sale Investment	3,456	-
Provision for Impairment of Associated Company	(16)	(2,851)
<b>Profit on Ordinary Activities before Interest and Taxation</b>	<b>109,179</b>	<b>34,903</b>
Interest Income	1,642	778
Finance Costs	(3,053)	(3,200)
<b>Profit on Ordinary Activities before Taxation</b>	<b>107,768</b>	<b>32,481</b>
Taxation	(43,613)	(19,805)
<b>Profit for the Financial Year</b>	<b>64,155</b>	<b>12,676</b>
Attributable to:		
<b>Equity Holders of the Company</b>	<b>63,785</b>	<b>12,228</b>
<b>Minority Interests</b>	<b>370</b>	<b>448</b>
	<b>64,155</b>	<b>12,676</b>
<b>Earnings per Share - basic</b>	<b>80.13p</b>	<b>16.48p</b>
<b>Earnings per Share - diluted</b>	<b>78.87p</b>	<b>16.17p</b>



# DANA PETROLEUM PLC

## Preliminary Results

### Group Balance Sheet as at 31 December 2005

	At 31 December 2005 £'000	At 31 December 2004 £'000
<b>Non-Current Assets</b>		
Intangible Assets	106,797	81,094
Property, Plant & Equipment	158,681	94,544
Deferred PRT	1,466	-
Available for Sale Financial Assets	13,082	13,367
Derivative Financial Instruments	3,485	-
	<hr/> 283,511	<hr/> 189,005
<b>Current Assets</b>		
Inventories	480	372
Trade and Other Receivables	46,887	22,688
Derivative Financial Instruments	1,246	-
Cash and Cash Equivalents	103,415	41,330
	<hr/> 152,028	<hr/> 64,390
<b>Total Assets</b>	<hr/> 435,539	<hr/> 253,395
<b>Current Liabilities</b>		
Trade and Other Payables	69,416	25,491
Current Tax	4,631	10,987
	<hr/> 74,047	<hr/> 36,478
<b>Non-current Liabilities</b>		
Borrowings Financial Liabilities	11,588	20,833
Provision for Deferred Taxation	43,199	13,959
Provision for Liabilities and Charges	32,918	20,793
Accruals and Deferred Income	3,112	3,507
	<hr/> 90,817	<hr/> 59,092
<b>Net Assets</b>	<hr/> 270,675	<hr/> 157,825
<b>EQUITY</b>		
<b>Equity Attributable to Equity Holders</b>		
Called-up Share Capital	12,574	11,729
Share Premium	75,246	39,531
Other Reserves	104,604	97,679
Cumulative Translation Reserve	449	(457)
Retained Earnings	75,563	7,647
	<hr/> 268,436	<hr/> 156,129
<b>Minority Interests</b>	2,239	1,696
<b>Total Equity</b>	<hr/> 270,675	<hr/> 157,825



**Group Statement of Changes in Equity  
for the year ended 31 December 2005**

	Year to 31 December 2005 £'000	Year to 31 December 2004 £'000
<b>Opening Balance</b>	<b>157,825</b>	<b>135,452</b>
Transitional Adjustment on First Time Adoption of IAS 39	6,771	-
<b>Opening Balance as Restated</b>	<b>164,596</b>	<b>135,452</b>
Currency Translation Adjustments	1,079	(616)
<b>Total Expense Recognised Direct in Equity</b>	<b>1,079</b>	<b>(616)</b>
Profit for the Financial Year	64,155	12,676
<b>Total Recognised Income and Expense in the Year</b>	<b>65,234</b>	<b>12,060</b>
Fair Value Movements on Available-for- Sale Financial Assets, net of Taxation	603	-
Derivative Financial Instruments	(449)	-
Employee Share Scheme Credits	4,131	891
New Shares Issued	36,560	9,422
<b>Closing Balance</b>	<b>270,675</b>	<b>157,825</b>



# DANA PETROLEUM PLC

## Preliminary Results

### Group Cash Flow Statement for the year ended 31 December 2005

	Year to 31 December 2005 £'000	Year to 31 December 2004 £'000
<b>Operating Activities</b>		
Cash Generated from Operations	107,052	61,752
Taxation Paid	(22,049)	(6,928)
Interest Received	1,642	778
Interest Paid	(1,105)	(1,843)
<b>Net Cash from Operating Activities</b>	<b>85,540</b>	<b>53,759</b>
<b>Investing Activities</b>		
Expenditure on Intangible and Tangible Assets	(63,872)	(32,782)
Receipts on Sale of Investments	13,968	-
Payments to Acquire Investments	(4,016)	(44)
<b>Net Cash Invested in Investing Activities</b>	<b>(53,920)</b>	<b>(32,826)</b>
<b>Financing Activities</b>		
Issue of Ordinary Share Capital	36,560	587
Repayment of Short Term Borrowings	(10,584)	(18,245)
<b>Net Cash Flow from/(used in) Financing Activities</b>	<b>25,976</b>	<b>(17,658)</b>
<b>Currency Translation Differences</b>	<b>4,489</b>	<b>(2,625)</b>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>62,085</b>	<b>650</b>
Cash and Cash Equivalents at the Beginning of the Year	41,330	40,680
<b>Cash and Cash Equivalents at the End of the Year</b>	<b>103,415</b>	<b>41,330</b>



**Reconciliation of Net Cash Flow to Movement in Net Funds/ (Debt)  
for the year ended 31 December 2005**

	<b>Year to 31 December 2005 £'000</b>	<b>Year to 31 December 2004 £'000</b>
<b>Increase in Cash and Cash Equivalents</b>	<b>62,085</b>	<b>650</b>
Repayment of Short Term Borrowings	<b>10,584</b>	<b>18,245</b>
Exchange (Losses)/Gains on Borrowings	<b>(1,339)</b>	<b>2,316</b>
	<b>71,330</b>	<b>21,211</b>
Convertible Loan Notes in Lieu of Interest	<b>-</b>	<b>8,835</b>
<b>Movement in Net Funds</b>	<b>71,330</b>	<b>30,046</b>
Net Funds / (Debt) at Beginning of Year	<b>20,497</b>	<b>(9,549)</b>
<b>Net Funds at End of Year</b>	<b>91,827</b>	<b>20,497</b>



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.

Details of the Company's conversion to IFRS and the impact on 2004 and prior period UK GAAP results are presented on the Company's website [www.dana-petroleum.com](http://www.dana-petroleum.com). This updated document includes the Company's revised accounting policies now applicable under IFRS and the basis of preparation note included in that document has been applied to the annual results for 2005.

The comparative figures for the financial year ended 31 December 2004 are the International Financial Reporting Standards (IFRS) restated equivalent of the Company's statutory accounts for that financial year. Those accounts, which were prepared under UK GAAP, 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 and the IFRS restatement.

2. The basic earnings per ordinary share of 80.13p (2004: 16.48p) is calculated on the profit for the year attributable to equity holders of the parent of £63,785,000 (2004: £12,228,000) and divided by the weighted average of 79,606,852 ordinary shares (2004: 74,181,328).

The diluted earnings per share of 78.87p (2004: 16.17p) is calculated on the diluted profit for the year attributable to equity holders of the parent of £64,071,000 (2004: £12,855,000), being profit for the year attributable to equity holders of the parent of £63,785,000 (2004: £12,228,000) plus the convertible loan notes interest (net of tax) of Nil (2004: £512,000) and share option expenses of £286,000 (2004: £115,000) and divided by 81,235,241 dilutive potential ordinary shares (2004: 79,503,445), being those shares in issue and issuable in respect of Directors' and employees' share options and convertible loan stocks where applicable.

3. No dividend is proposed.



4. Net Cash Flows from Operating Activities for the year ended 31 December 2005

	<b>Year to 31 December 2005 £'000</b>	<b>Year to 31 December 2004 £'000</b>
<b>Profit for the Financial Year</b>	<b>64,155</b>	<b>12,676</b>
Depreciation	26,354	19,424
Deferred Income	(395)	(602)
Interest Income	(1,642)	(778)
Interest Expense	3,053	3,200
Taxation	43,613	19,805
Employee Share Scheme Charge	407	165
Translation Differences	(3,200)	662
Impairment of Associate	16	2,851
Exploration and Evaluation	(13,550)	10,065
Share of Losses of Associate	-	9
Gain on Sale of Investment	(3,456)	-
Fair Value Movements on Derivatives	(453)	-
<u>Movements in Working Capital:</u>		
Inventory Movement	(108)	(49)
Receivables Movement	(22,461)	(4,084)
Payables Movement	14,719	(1,592)
<b>Cash Generated from Operating Activities</b>	<b>107,052</b>	<b>61,752</b>

5. Copies of the 2005 Annual Report will be posted to all shareholders in advance of the Annual General Meeting which is planned to take place in June 2006. 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](http://www.dana-petroleum.com)