



Dana Petroleum plc

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

Preliminary Results for the Year Ended 31 December 2004

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 2004.

HIGHLIGHTS

Record Operating Performance

- Average production increased to a record high of 18,608 boepd (2003: 17,270 boepd)
- Turnover rose 27% to £109.5 million (2003: £86.5 million)
- Operating profit climbed 43% to £48.8 million (2003: £34.1 million)
- Net profit and earnings per share increased to £22.4 million and 30.1p respectively (2003: £19.6 million and 26.5p)
- Net Cash Flow from Operations up to £61.2 million (2003: £52.2 million)
- Gearing eliminated with net cash position of £20.5m at end 2004 (end 2003: net debt of £9.5m)
- Proven and probable reserves increased to 124.8 mmboc at end 2004, representing 51% of the Group’s total technically recoverable hydrocarbon resources of 243.7 mmboc.

Commercial Deals Continue to Strengthen Asset Portfolio

- Exited Indonesia in exchange for a major interest in, and operatorship of, the producing Hudson oil field in the UK Northern North Sea
- Secured new interest in the producing Johnston gas field in the Southern North Sea
- Built positions in and around the Barbara gas discovery and in Northern North Sea exploration blocks ahead of 2005 drilling
- Increased stake in strategically important Block 1 offshore Mauritania ahead of 2005 high potential drilling and acquired new positions in Mauritanian and Senegalese acreage surrounding Block 1
- Acquired extensive new exploration acreage across the Great Australian Bight
- Valuable farm-outs of higher risk exploration areas (WA-226-P offshore Western Australia, Block 8 offshore Mauritania and Blocks L5/L7 offshore Kenya) completed ahead of major expenditure
- Accelerated cashflow from Salym area through sale of minority shareholding in Evikhon company for US\$28 million

Exploration, Appraisal and Development Programme Delivering Growth

- Banff gas re-injection project well work completed; further successful infill drilling at Claymore
- Gadwall field development, Mallard water injection project, Johnston gas field extension and F16-E field development all in progress
- Cavendish, Enoch and Goosander developments all advancing for sanction in 2005
- Two successful wells drilled offshore Indonesia to appraise the Ujung Pangkah gas field, adding value ahead of divestment
- Major 3D seismic surveys completed across Block 7 and Block 8 offshore Mauritania, 2D surveys completed offshore Senegal, Kenya and the Great Australian Bight
- Commitments made to drill important exploration wells in Block 1 offshore Mauritania and Block L-5 offshore Kenya in 2005



- Intensive geoscience work on North Sea portfolio has led to a six well exploration and appraisal drilling campaign in 2005

Exciting Period of Activity Ahead

- First UK exploration well in 2005 discovered oil at Melville, close to Dana's Hudson field
- A further seven exploration and appraisal wells planned in 2005, including five wells in the North Sea and important deep-water wells offshore Mauritania and Kenya, each with the potential to contain over one billion barrels of oil in place
- Overall plans include a total of 17 exploration and appraisal wells by end 2006, targeting 1.2 billion barrels of potential reserves net to Dana
- Significant North Sea development programme underway to ensure production growth; a total of 15 fields planned to be on stream by end 2006 and expected to deliver over 30,000 boepd
- Dana's oil production is currently un-hedged and thus benefiting from 2005 oil price strength
- Further asset acquisitions and trades under negotiation

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

“Dana is making excellent progress. The Group has strengthened its UK production base and exploration is being driven forward across all core areas. 2005 has started well with an oil discovery at Melville, the Gadwall field on-track for first oil production next month and the Company securing rigs to drill several key exploration and appraisal wells this year”

31 March 2005

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CHAIRMAN'S AND CHIEF EXECUTIVE'S REVIEW

INTRODUCTION

We are delighted to report that Dana's track record of year on year growth continued in 2004. New highs in production and reserves were coupled with record financial performance and the Company ending the year with gearing eliminated and a significant net cash position.

During 2004 Dana met its objectives of rationalising and strengthening its asset portfolio with an unprecedented level of commercial activity. In particular, Dana pursued its strategy of exchanging part of its early exploration success for cash generative North Sea production, trading into the Johnston and Hudson fields and exiting Indonesia prior to the need for major development capital spend. Dana also built its position in and around Block 1 in Mauritania and the Barbara area of the North Sea ahead of important drilling events in 2005 and gained significant new exploration positions in the North Sea and Australia.

Alongside this commercial activity, excellent progress was made on the organic investment programme. Offshore well work for the Banff gas reinjection project was successfully completed in 2004 and four further development projects which were approved in 2004 are now due on stream in 2005. A successful appraisal drilling campaign was concluded in Indonesia, adding considerable value ahead of divestment. Extensive technical progress was also made across the Group to firm up an ambitious 2005/06 exploration and appraisal drilling programme, including the acquisition of two large 3D seismic surveys offshore Mauritania.

Looking ahead, the Group is currently planning to drill a further 17 exploration and appraisal wells by the end of 2006 in addition to the recently completed Melville well which made an oil discovery. Two of the most important of these wells are planned to be drilled in 2005, one offshore Mauritania, in Block 1, and one offshore Kenya, in Block L5, each of which has the potential to contain over one billion barrels of oil in place. Overall, Dana's 2005/06 drilling campaign is targeting potential reserves of 1.2 billion barrels net to the Company.

On account of completed acquisitions and new fields on stream, the Company is confident of delivering further production growth in 2005 and, with three further North Sea developments due to be sanctioned in 2005, Group production levels are expected to be in excess of 30,000 boepd by the end of 2006.

RESULTS

As a result of the growth in average daily oil and gas production to 18,608 boepd (2003: 17,270 boepd) and an increased average realised price of \$29.45 per boe during 2004 (2003: \$22.41 per boe), turnover for the period increased by 27% to £109.5 million (2003: £86.5 million). Operating profit grew by a larger margin of 43% to £48.8 million (2003: £34.1 million). Profit after tax and earnings per share increased by 14% to £22.4 million (2003: £19.6 million) and 30.1 pence per share (2003: 26.5p). Similarly, operating cash flow grew 17% to £61.2 million (2003: £52.2 million).

Dana's balance sheet strengthened further during 2004 with total net assets at 31st December 2004 of £187.8 million (31st December 2003: £156.4 million). An increase in net cash of £30.0 million eliminated gearing and left the Group with net funds at year end of £20.5 million.



The Board has carefully considered the financing requirements for Dana's intensive 2005 and 2006 exploration and development programme. The Directors continue to believe that to maximise asset value per share the best use of the Company's cash resources is to apply them to these projects, all of which have the potential to yield exceptional returns. Therefore the Directors do not yet recommend payment of a dividend, but will keep this under review as projects are delivered.

Some 7.9 mmmboe of proven and probable reserves were added during 2004 due to the net effect of discoveries, acquisitions, disposals and field revisions. This offset production of 6.8 mmmboe. Reserve additions thus replaced those produced by 116% and Group proven and probable oil and gas reserves at 31st December 2004 increased to 124.8 mmmboe. The Group's best estimate of its year end contingent resources (technically recoverable hydrocarbons not yet determined to be commercial) was a further 118.9 mmmboe. Therefore the total recoverable hydrocarbon resources available to the Company at end 2004 were 243.7 mmmboe, of which 51% was proven and probable reserves.

OPERATIONAL HIGHLIGHTS

Production and Development

Group production averaged 16,042 bpd of oil and 14,885 mmscfpd of gas for 2004, giving a total of 18,608 boepd, some 86% of which was oil production. This increase over 2003 levels was due largely to Dana's Northern North Sea oil fields, Hudson and Otter, delivering above expectation and a full year's contribution from the Kittiwake and Mallard oil fields acquired in November 2003. Approximately 88% of 2004 production came from Dana's portfolio of UK North Sea fields with the remainder from the South Vat-Yoganskoye field in Western Siberia.

Important steps were taken in 2004 to ensure continued production growth in the coming years. Well re-engineering offshore for the Banff gas reinjection project was completed by December 2004. In addition, the Gadwall field development, Mallard water injection project and F16-E field development are all now underway and due on stream in 2005. Significant progress was also made towards commencing development of the Cavendish, Enoch and Goosander fields, sanction for all of which is expected in 2005 for production start-up in 2006.

In addition to this development activity, Dana reached agreement to build its interest in and assume operatorship of the Hudson field by exchanging its remaining interests in Indonesia with Amerada Hess. The Company has also acquired a new production interest in the Johnston gas field from Caledonia Oil & Gas. As a result of these two deals, Dana will now benefit from the ongoing Johnston field extension project, due on stream in August 2005, and, as the new Operator, has actively begun reviewing infill drilling opportunities in the Hudson field.

Alongside the Company's exit from Indonesia, Dana decided to monetise its indirectly held interest in the Salym group of fields in Western Siberia through a sale of its 10% shareholding in the Evikhon joint stock company for \$28 million. Consequently, Dana's new field development activity is now entirely based in the North Sea.

Exploration and Appraisal

Dana drove forward its exploration and appraisal programme in 2004, both by pursuing the potential of its existing licences and by closing numerous commercial deals. Overall, the Company delivered further drilling success and created the framework for an exciting 2005-2006 drilling programme.

In Indonesia, the company drilled two successful appraisal wells to the offshore Ujung Pangkah discovery, adding a final tranche of reserves and value ahead of exiting Indonesia.



In the Southern Mauritania/Senegal region, Dana increased its stake in Block 1 and also reached agreement to add new interests in Block 2 to the north and the Senegalese St. Louis Block to the south, where new 2D seismic data has recently been acquired. These strategic steps have been taken ahead of drilling the first well in Block 1 so that Dana can gain maximum benefit from any drilling success. The first well in Block 1, to be drilled in the second half of 2005, will target either the Faucon or Petrel prospects, each of which has the potential to contain over one billion barrels of oil in place. The final choice of drilling target will be made around mid 2005 once the results of an ongoing seabed electromagnetic survey have been fully integrated with 3D seismic data.

Offshore Northern Mauritania, large 3D seismic surveys have been acquired in Block 8 and Block 7 with the objective of providing the best possible data set ahead of selecting final well locations for drilling in 2006. In Block 7, the next well will be pursuing oil and gas believed to lie up-dip and inshore of the Pelican discovery made at the end of 2003, which is now calculated to contain up to one and a half trillion cubic feet of gas.

Offshore Kenya, an infill 2D seismic survey was obtained over the key leads in Blocks L5 and L7 with the objective of finalising well locations for each of these blocks. The first of these wells is planned in Block L5 for late 2005 with the potential for an immediate follow-on well in Block L7 if the results of the first well are promising. As in Mauritania, these prospects are extremely large with the potential to contain over one billion barrels of oil in place.

During 2004, Dana actively pursued its policy of farming out its higher risk exploration areas ahead of major expenditure. Attractive 'free-carry' deals were concluded with Wintershall, ahead of a 3D seismic survey in Block 8 offshore Mauritania, and with Voyager ahead of the Fiddich well offshore Western Australia. Additionally, agreement was reached with Woodside to exchange an interest in Blocks L5 and L7 offshore Kenya for a new interest in blocks EPP 28-31 in the Great Australian Bight, which will result in Dana's cost exposure to the next two wells in Kenya being only one third of its 30% interest.

Excellent technical progress was also made on the North Sea exploration portfolio during 2004. Important deals were concluded to boost Dana's interests in and around the area of the Barbara gas discovery and in two blocks in the Northern North Sea. Dana was also appointed Operator of the blocks which constitute the Barbara area. A total of five further exploration and appraisal wells are now planned in 2005 in addition to the recent Melville discovery.

BOARD AND CORPORATE GOVERNANCE

As planned, Colin Goodall, who joined Dana's Board in 2002, became Non-Executive Chairman of the Group with effect from 1 January 2005, succeeding Charles Smith who will be retiring at the 2005 AGM. The Board is delighted to report that, as part of its development, Ian Rawlinson was appointed as a Non-Executive director with effect from 31 March 2005.

Ian joins Dana with some 20 years' experience in corporate finance and investment, gained with Lazard Brothers and Robert Fleming & Co. Ian read law at Cambridge University and was called to the Bar in 1981. From 1995 he was based in Johannesburg and became responsible for managing Fleming's Southern African corporate finance business. He was involved in all the major Southern African transactions carried out by Flemings including the London listings of Billiton and South African Breweries. Ian returned to London in 2000 to become Chief Operating Officer of Fleming Family & Partners and was one of the founding partners of that business. Later he was appointed Chief Executive of The Highland Star Group, a business representing the interests of certain members of the Fleming family and investing principally in the resources sector. Ian is a director of a number of private companies, and is Chairman of the Tusk Trust, a charity focused on conservation in Africa. He remains a key advisor to the Highland Star Group. We look forward to his valuable input to Dana during the next few years of growth.

Charles Smith has led the Board with great skill, diligence and integrity during the formative years of Dana, resulting in the quality Company we have today. On behalf of Dana's directors, employees



and shareholders we would like to thank Charles for the truly outstanding contribution he has made to the Group over the last nine years.

The Directors recognise that Dana is a FTSE 250 public company and therefore aim to set and maintain high standards for managing the Group's assets, business development and corporate governance in accordance with the revised Combined Code published in 2003. The Board will continue to review and develop its practices during the forthcoming year.

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. In the Board's experience, this is best achieved by a balanced approach. Dana therefore combines a portfolio of exploration opportunities, which have the potential for material step increases in reserves, with the exploitation of cost effective production and development assets which generate strong, stable cash flow.

Dana's strategy has four key elements:

1. **BALANCING INVESTMENT** in high-impact, medium risk oil and gas exploration, with value enhancing acquisitions, and investment in low risk, low cost oil and gas production and field developments;
2. **MAXIMISING THE PROBABILITY OF EXPLORATION AND DEVELOPMENT 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. **COMMERCIALISING EXPLORATION SUCCESS** with a bias towards asset trading for existing or near-term production to accelerate value extraction; and
4. **OPERATING A SOUND FINANCIAL FRAMEWORK** which ensures that the exploration programme can be financed from cash flow generated by the production portfolio.

This strategy has served the Company well, delivering nine years of continuous growth in oil and gas reserves, along with rising production and earnings.

OUTLOOK

Dana's financial strength and balanced portfolio of production and reserves growth opportunities means it is well positioned within the independent oil and gas sector. The Company now faces an unprecedented period of activity which has begun well with the Melville discovery in the North Sea.

Seventeen further exploration and appraisal wells are planned before the end of 2006 targeting an unrisks total of 1.2 billion barrels of reserves net to Dana. Seven of these wells are currently expected to be drilled in 2005; five in the North Sea, one offshore Mauritania and one offshore Kenya. These latter two wells are key events in the Company's history, with each targeting a prospect with the potential to contain over one billion barrels of oil in place.

Alongside this exciting exploration drilling programme and irrespective of its outcome, Dana's North Sea development programme is expected to ensure production growth. The Company currently anticipates average production in 2005 to be in the range of 22,000 to 24,000 boepd, depending on the performance and timing of the ongoing development projects, and, with three further fields expected to come on stream in 2006, we currently anticipate to be delivering over 30,000 boepd from a robust portfolio of 15 fields before the end of next year.



In line with the Board's strategy to position the Company to benefit from the strong oil price environment, Dana has to date put no commodity price hedging in place for 2005 or beyond.

To complement its organic growth programme, Dana will continue to pursue acquisition, divestment and trading opportunities which will further strengthen the Company. Although high oil and gas prices have led to a general dearth of assets for sale, experienced teams such as Dana's, with high potential international exploration acreage to trade, can create good opportunities on an exclusive basis. The Company will also seek to complete its geographical consolidation into a business focused on the North Sea, Africa and Australia as opportunities allow.

In summary, the outlook for the Company remains extremely bright. The combination of a quality portfolio of assets, an array of commercial opportunities and the resources to exploit them means that continued growth is expected over the next few years.

At the heart of these resources is the Dana team, whose expertise, enthusiasm and hard work continues to drive the Group forward. On behalf of the Board, we would like to thank all staff for their valuable contributions in 2004 and once again commend to shareholders their technical excellence, commercial acumen and dedication to the Company.

31 March 2005

Colin Goodall
Chairman

Tom Cross
Chief Executive



REVIEW OF OPERATIONS

1. EUROPE

Northern North Sea

The Northern North Sea was the Group's most important region for production in 2004, with the Hudson and Otter fields together delivering 43% of overall Group production at an average rate of 7,989 boepd. This was somewhat above expectation due to a slower than anticipated decline in production from the Otter field and a facilities upgrade on the Tern platform designed to stabilise lift gas supply to the Hudson production wells.

The production potential of this sub-region will be further enhanced in 2005 with the recent acquisition of an additional 28% interest in the Hudson field from Amerada Hess, in exchange for the Group's interests in Indonesia, and a workover campaign in the Otter field planned for the third quarter. As the largest interest holder in the Hudson field, with a 47.5% stake, Dana has been appointed as Operator, in which role it has commenced a thorough field review with a view to pursuing infill drilling and other production enhancement opportunities in the near future.

Two separate transactions with Shell and ExxonMobil also saw Dana increase its stake to 26.6% in Block 210/24a to the South of Hudson where the Melville oil discovery has recently been drilled. This well found oil within the Brent sandstone with a total gross oil column of approximately 100 feet. The data gathered from the well will now be used to determine quantities of recoverable hydrocarbon and the commerciality of development through the Hudson subsea infrastructure.

To the East of Hudson, Dana reached agreement to acquire a new 24.2% interest in Block 211/22a, from CNR International, and be appointed as Operator. In a further agreement with its coventurer, Antrim Resources, Dana will increase its interest to 79% in the northern and western areas of the block by drilling an exploration well to test the 'Clachnaben' prospect. Located adjacent to the Cormorant/Brent export infrastructure, this prospect has the potential to contain around 60 million barrels of oil in place and is expected to be drilled as part of the 2005 exploration drilling programme.

Central North Sea

Dana's portfolio of five producing fields in the Central North Sea delivered approximately 40% of overall group production in 2004 at an average rate of 7,479 boepd. This 9% increase over 2003 was due largely to a full year's contribution from the Kittiwake and Mallard fields, acquired in November 2003, complementing the relatively steady output from the Banff, Caledonia and Claymore fields.

A significant boost to Greater Kittiwake Area (GKA) production is expected in 2005. The Gadwall field development is expected to achieve first oil imminently and a sidetrack of the Mallard water injection well to a new subsurface location is planned directly thereafter with the objective of providing better field pressure support and stabilising Mallard production. A field development plan for the Goosander field is also being finalised, with a target of first oil in the second half of 2006. Looking further ahead, appraisal drilling on the Wagtail and Whinchat discoveries is planned for 2005/2006, which, alongside conceptual plans for development of the Grouse discovery, the redevelopment of the abandoned Durward and Dauntless fields and future exploration drilling, is expected to generate a significant inventory of opportunities for future development and production.

The Enoch field development plan is also nearing completion, with project sanction now anticipated in May 2005 for first oil in August 2006. This development plan features a single well tied back to the Brae 'A' platform, with the option to add a water injector at a later date if aquifer support proves to be limited.



In the Banff field, the gas re-injection project, designed to prolong oil production life by re-injecting produced gas into the reservoir, was successfully completed in December 2004. A production well from the nearby Kyle field was also tied back to the Banff FPSO as part of this project, reducing Banff operating costs and providing an additional source of gas for injection into the Banff reservoir. Following this success, agreement has now been reached with the Kyle owners to tie in the remaining Kyle wells during 2005. The Banff area continues to hold upside potential with a well to test the Deep Banff gas-condensate prospect under consideration for 2006 and development options for the 29/2a-2 gas-condensate discovery also under review.

Natural decline in the Claymore field continues to be successfully offset by infill drilling targeted at areas of the reservoir predicted to contain unswept pockets of oil. Two wells were completed in 2004, one of which encountered a significantly better-than-expected zone of dry oil, and drilling continues in 2005.

Appraisal of the Dana operated Barbara gas field is scheduled for mid 2005 to gain reservoir and production information ahead of finalising the development plan. Transactions with Amerada Hess and Caledonia Oil & Gas saw Dana increase its stake in the region, with the Company's interests in Blocks 23/16c and 23/11 ultimately increasing to 50% and 80% respectively. The Barbara appraisal well will be directly followed by an exploration well to test the 'Fiacre' prospect, in Block 23/11, which has the potential to contain around 105 million barrels of oil in place.

Southern North Sea

In the Southern North Sea, the Victor gas field delivered approximately 5% of overall group production in 2004 at an average rate of 4,965 mmscfpd of gas and 14 bpd of condensate (870 boepd), a slight decrease from 2003 driven largely by demand from the gas buyer.

Dana's gas production from this sub-region will be significantly boosted in 2005 as a result of the acquisition of a 27.8% interest in the producing Johnston gas field from Caledonia Oil & Gas. The Johnston Field Extension ('JFE') project, involving the drilling and tie-back of a fourth production well in the 'tail' of the field, is now underway, with first gas expected to flow in August 2005, and a further production well location has also been identified in the main area of the field for drilling in 2006.

Subject to finalisation of commercial terms for transportation and processing of gas, sanction of the Cavendish field as a sub-sea tie-back to the CMS system is expected in mid 2005 for first production by October 2006. Drilling of the Cavendish production wells is scheduled in the first half of 2006 and may be combined with exploration drilling on the licences surrounding the Cavendish field awarded in the 21st UKCS Licensing Round.

Future Southern North Sea exploration opportunities are anticipated from an agreement to acquire a 33.33% interest in four blocks in Quad 47, currently held under a 'Promote' licence by GTO, in exchange for funding a seismic work programme. However, a final decision on whether to enter the licences and commit to the seismic programme is not required until September 2005, once preliminary seismic reprocessing has been carried out to better determine the prospectivity of the area.

In the Dutch sector, the F16-E development is progressing for first gas in late 2005 with development drilling now underway. Additionally, an exploration well to test the E18-DF prospect to the west of the F16-E discovery is currently being planned for late 2005. In the north of the Dutch sector, discussions between licence owners regarding a joint development of the shallow gas discoveries in the area are underway, which, if successful, should feature Dana's A15-3 and B17a-6 gas discoveries.



Atlantic Margin

Dana has access to the exploration upside of the West of Shetlands area through its shareholding in Faroe Petroleum plc (FP), which is 'AIM' listed on the London Stock Exchange. In 2004, FP was awarded six new high potential UK West of Shetlands licences in the UK's 22nd Offshore Licensing Round, and it has achieved further success in 2005 with the award of two further licences in the 2nd Faroes Licensing Round. These licences contain a significant number of large leads and prospects and the Freya and Seonaid discoveries adjacent to the giant Clair oil field. Seismic surveys will be undertaken across several prospects this year and there is the potential for up to 11 wells to be drilled over the next three years.

2. AFRICA

Northern Mauritania

Offshore Northern Mauritania, the Block 7 PSC has been extended into its second exploration period following discovery of the Pelican field at the end of 2003. With current estimates of gas in place in the Pelican discovery ranging between approximately one and one and a half trillion cubic feet, Dana has commenced discussions with a number of downstream LNG specialists with a view to progressing its development options.

Additionally, extensive technical analysis of the area around Pelican has identified significant stratigraphic upside and the possibility of oil up-dip and inshore of Pelican, extending into an area without 3D seismic coverage. A 1,500 km² 3D seismic survey was therefore acquired in early 2005 with the objective of delineating these potential prospects before finalising the location for the next exploration well on the block, planned for 2006. Ahead of this survey, Dana agreed to reduce its interest in Block 7 to 63.85% by exchanging a 5% interest for a new position in Block 2 offshore Southern Mauritania.

In Block 8, acquisition of 1,800 km² of new 3D seismic data, covering a number of very large carbonate reef prospects highlighted by the earlier 2D seismic data, was completed in November 2004. Recognising the risk-reward profile of this block, Dana farmed-out a 38.5% interest in Block 8 to Wintershall, in return for a full cost carry through all remaining work commitments, including the acquisition, processing and interpretation of the 3D survey.

Southern Mauritania and Senegal

Detailed analysis of 3D seismic data in Block 1, offshore Southern Mauritania, has resulted in the emergence of two exciting prospects, Faucon and Petrel, each with moderate risk and the potential to contain over one billion barrels of oil in place. Recognising the enormous potential of these prospects, Dana elected to increase its interest to 60% in Block 1, by acquiring a further 12% interest from Tullow, ahead of drilling the first of these structures in 2005.

Given the importance and materiality of this first well in Block 1, the Company has decided to maximise its chances of success by carrying out a controlled source electromagnetic imaging ('CSEMI') survey over these two main prospects ahead of selecting the first prospect to drill. CSEMI is a rapidly emerging seabed survey technology which aims to predict the presence of hydrocarbon in prospective reservoirs ahead of drilling. Following acquisition the CSEMI data will be integrated with 3D seismic data to select the prospect with the best possible chance of success as the first to be drilled. In order to properly take account of the results of this survey, the Company has rescheduled the drilling of the next Block 1 well into the second half of 2005 and has reached agreement with neighbouring operator, Woodside, to be assigned the 'Stena Tay' dynamically positioned drillship on this basis.



During 2004, Dana was successful in building its acreage position around Block 1 through two separate transactions. Firstly, the Company reached agreement with Woodside to acquire a new 6.25% interest in Block 2, directly to the North of Block 1, in exchange for a 5% interest in Block 7, and secondly the Company reached agreement to purchase from Tullow a 30% interest in the St. Louis PSC, the most northerly block offshore Senegal and directly to the South of Block 1.

The Dorade-1 well was subsequently drilled in Block 2 in October 2004 to test a Miocene channel prospect similar in nature to the Banda and Tiof discoveries in Block 4 to the north. The well encountered excellent quality but water bearing sands. Despite the results of Dorade-1, all the Block 2 co-venturers considered remaining prospectivity to be sufficient to justify taking this PSC into the second Exploration Period which carries an obligation to drill one further well, probably in 2006.

A 2D seismic survey was acquired over the St. Louis PSC in 2004, fulfilling the work obligations for the current phase of the PSC. Once available, the results of the Block 1 well will be integrated with this survey to determine the most appropriate work programme going forward.

Ghana

The Company completed its assessment of the commercial potential of its West Tano oil discovery during the first half of 2004, concluding that, given the high degree of uncertainty in recovery efficiency associated with the relatively viscous crude, an extended well test (EWT) or pilot development would be required to determine full-scale commerciality. The Company has also identified, from 3D seismic data, a number of large, but high risk, stratigraphic fan prospects in the deep-water part of the contract area, where oil would be expected to be of higher quality. Consequently, an application has been made to the Ghanaian authorities to either extend the term of the original petroleum agreement, beyond its end date of 31st July 2004, or to execute a new agreement over substantially the same area.

As part of a wider exploration cooperation deal, Dana has also agreed an area of mutual interest across the Western Tano basin with Woodside Energy and discussions continue with the authorities on the terms and conditions which would be associated with future operations in this area.

Kenya

Interpretation of the 2D seismic data acquired offshore Kenya in 2003 provided significant encouragement for the petroleum potential of this largely unexplored region. An infill 2D seismic survey was consequently acquired in early 2005, the data from which will be used to finalise the location of exploration wells in Blocks L-5 and L-7. A firm commitment has been made to the Kenyan authorities to drill the first Block L-5 well towards the end of 2005, with the very large 'Pomboo' prospect currently the most likely target. Subject to the results from this first well being sufficiently encouraging, an L-7 well may be drilled immediately thereafter as part of the same rig campaign, with the 'Sokwe' structure considered most likely at this juncture. Both the Pomboo and Sokwe prospects have the potential to contain over one billion barrels of oil in place.

As a result of the 2003 farm-out agreement, 20% of the costs associated with Dana's interest in Blocks L-5 and L-7 are carried by Woodside until these two wells have been drilled. In view of the significant cost of drilling in this area, Dana has agreed to assign a further 10% interest in Blocks L-5 and L-7 to Woodside from mid 2004 in exchange for a new 10% interest in the Great Australian Bight offshore South Australia. This reduces Dana's participating interest to 30% and hence its share of future costs to only 10%.

Woodside elected not to continue with its participation in Block L-10 and, in line with the 2003 farm-out agreement, reassigned its 40% interest in and operatorship of L-10 back to Dana. Subject to the satisfactory conclusion of discussions with the Kenyan authorities on an extension of the initial period of the Block L-10 licence, Dana expects to acquire further seismic and/or CSEMI data over the large 'Tambusi' prospect in 2005 with a view to a 'drill-or-drop' decision by mid 2006.



3. OTHER AREAS

Australia

Offshore Western Australia, the Fiddich-1 exploration well, designed to test a prospect identified from the 2003 3D seismic survey in permit WA-226-P, was plugged and abandoned in December 2004 after finding the target reservoir to be water bearing. Ahead of drilling, Dana farmed-out a 10% interest in the licence to Voyager Energy, retaining a 20% fully cost-carried interest through the well. Three further exploration wells will be drilled on neighbouring licences in the basin during the coming months and the licence will be retained to allow any implications from these wells to be assessed.

Offshore South Australia, Dana has agreed to acquire from Woodside a 10% interest in exploration permits EPP 28-30 and EPP 31 located in the Great Australian Bight. The permits cover a vast area of approximately 65,000 sq. km. in which a number of very large leads have been identified. A 2D seismic survey was acquired over EPP-31 during the period December 2004 to January 2005 with a view to drilling in 2007.

Indonesia

In the first half of 2004, the Ujung Pangkah North and Ujung Pangkah West appraisal wells both encountered gas overlying oil in the Kujung limestone formation, demonstrating the presence of a westerly extension to the previously proven area of the Ujung Pangkah field. The oil and gas zones of both wells were tested with a maximum stabilised oil flow rate of 2,300 barrels per day and a maximum stabilised gas flow rate of 31.4 million cubic feet per day being achieved. A third well was added to the Pangkah drilling programme to test the western extent of the Sidayu oil prospect. This well found oil, but in a thin, sub-commercial column and the well was consequently plugged and abandoned without testing.

Following the successful completion of the Pangkah appraisal campaign, Dana decided to exit Indonesia through an asset exchange of its 12% interest in the Pangkah PSC for a 28% interest in the producing Hudson field in the North Sea.

Western Siberia

The South Vat-Yoganskoye oil field delivered 12% of overall Group production in 2004 at an average rate of 2,270 boepd, approximately the same as the average rate achieved in 2003. The potential to boost production in 2006 through infill development drilling from the 'Pad 1b' wellsite at the end of 2005 is under review.

With the development of the West Salym field now firmly underway, Dana decided to monetise its indirectly held interest in the Salym group of fields through a sale of its 10% shareholding in the Evikhon joint stock company.



FINANCIAL REVIEW

Dana delivered another year of record financial performance in 2004 through a combination of production growth, cost control and a high degree of exposure to the strong oil price environment as a result of having only modest levels of hedging in place during the year.

Turnover

Annualised average production for the year was 18,608 boepd (2003: 17,270 boepd), with 88% delivered from the UKCS (2003: 87%). Oil accounted for 86% of production (2003: 90%).

The 2004 realised price for Dana's UKCS crude sales was \$34.49 per barrel (2003: \$28.80 per barrel), with the variance from the average Brent crude price in 2004 of \$38.27 due to the effect of commodity hedging discussed below. Including gas, the realised price for Dana's overall UKCS production increased to \$31.73 per boe (2003: \$26.25 per boe). The realised price for the Group's Russian crude sales in the period was \$16.67 per barrel (2003: \$8.60 per barrel), a significant improvement over the previous year. Overall, the Group realised a revenue per boe of \$29.45 during 2004 (2003: \$22.41 per boe). Consequently, turnover increased to a record level of £109.5 million (2003: £86.5 million), an increase of 27%.

Operating Profit

Operating profit improved by 43% to £48.8 million (2003: £34.1 million) with cost of sales of £8.35 per boe (2003: £8.05 per boe). This increase was anticipated and was principally due to the full year inclusion of the Greater Kittiwake assets, acquired late in 2003. Cost of sales additionally suffered by £3.2 million from the movement in crude inventories between the years, although this was largely offset by partial settlement of the Mallard field Business Interruption insurance claim which mitigated the impact of lost production from that field during the first half of 2004. The impact of exchange adjustments accounted for the majority of the increase in administrative expenses with a net exchange gain of £1.9 million in 2003 converting to a net exchange loss of £0.2 million in 2004.

Profit for the Year

Pre-tax profits grew by 37% to £43.6 million (2003: £31.7 million) despite the Board's decision to make full provision of £2.9 million for the Group's investment in Yuganskoil due to a continued lack of progress in the Sortymyskoye oil field project in Western Siberia. The net interest charge of £2.4 million (2003: £2.3 million) was in line with expectations, with a reduction in debt interest incurred being offset by an increase in the accretion for the Group's decommissioning provisions.

The effective tax rate for the year was 48%, a slight improvement on expectations for the year. The charge for the year of £20.7 million (2003: £12.1 million) is made up of a £4.2 million provision for UK deferred corporation tax, £11.8 million for UK current corporation tax, and £3.9 million for Petroleum Revenue Tax, with the remaining £0.8 million relating to Russian profits tax.

The resultant profit for the year of £22.4 million (2003: £19.6 million) and earnings per share of 30.15p (2003: 26.53p) both represent a 14% improvement over the previous year, and a record result for the Company.

Balance Sheet

The Group's investments declined due to the aforementioned impairment provision in Yuganskoil, leaving the investment cost of the Group's interest in Faroe Petroleum plc and Evikhon. It should be noted that the market value of Dana's investment in Faroe Petroleum plc at 31 December 2004 was £4.9 million, compared to the £2.9 million cost carried in the Group's balance sheet.



In December 2004, Dana issued a notice of intended repayment to the convertible loan note holders, who thereafter, elected to convert the loan into equity. Approximately 3.9 million shares were issued to the loan note holders in full and final settlement of the Company's obligations under the Convertible Loan Notes.

The Group's net asset value ended 2004 at £187.8 million (2003: £156.4 million), a healthy improvement over the previous year.

Cash Flow

Group net cash inflow from operations rose by 17% to £61.2m (2003: £52.2m). After a net interest and UK tax spend of £8.0 million, £32.3 million was expended on capital projects of which £17.3 million was invested on development projects and £14.7 million on exploration and appraisal activity. A total of £18.2 million of the Group's bank debt was also repaid during 2004. The Group closed 2004 with £20.5m of net cash, a £30.0m improvement from the net debt position at the start of 2004.

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

Risk Management

To underpin Dana's 2004 capital investment programme, a modest level of commodity hedging was put in place towards the end of 2003, which committed the Company to oil price swaps for 4,000 bopd at an average price of \$25.96 throughout 2004. Over the year, this equated to hedging approximately 29% (2003: 41%) of UKCS crude production at the contracted price.

Given the current strength of the Company's cash position, and continued high world oil prices, no further commodity hedging has been committed, ensuring Dana is now enjoying full exposure to world oil prices. The Board closely monitors the risks associated with oil price, interest rate and currency fluctuations, particularly in light of the Company's forward capital commitments.

International Accounting Standards

Dana will adopt International Financial Reporting Standards (IFRS) with effect from 1 January 2005. The first results to be prepared under this basis will be the 2005 interim results later this year. At that time the Company will also present a full re-statement of these 2004 UK GAAP figures, together with a reconciliation of the adjustments from UK GAAP to IFRS, by way of clarification for shareholders.

The Company continues to work with its professional advisers on the conversion project, which is progressing well. Dana's finance team is also involved with industry forums which are seeking a consensus view on various industry issues that emerge under the new IFRS and from the lack of any industry statement of recommended practice for this new accounting platform.



Dana's future financial statements will be reviewed in light of the potential requirements to:

- fair value share based payments including certain historic option awards
- regard other investments as financial instruments and apply fair value accounting
- fair value account for commercial asset "swap" transactions
- expense expenditure incurred prior to securing new exploration and appraisal licenses
- impair exploration and appraisal licences to the extent carrying values are not covered by the value of the exploration and appraisal portfolio at the reporting segment level
- apply different accounting treatments to future hedging activity subject to the underlying nature, rationale and documentation for such hedges
- apply differing depreciation methodology to certain components of tangible assets
- calculate tax and account for deferred tax on the basis of the above new accounting treatments

David MacFarlane
Finance Director



DANA PETROLEUM PLC

Preliminary Results

Consolidated Profit and Loss Account for the year ended 31 December 2004

	2004 £'000	2003 £'000
Turnover	109,476	86,531
Cost of Sales	<u>(56,870)</u>	<u>(50,755)</u>
Gross Profit – continuing operations	52,606	35,776
Administrative Expenses	<u>(3,765)</u>	<u>(1,690)</u>
Operating Profit	48,841	34,086
Group Share of Loss of Associated Company	(9)	(55)
Provision for Impairment of Associated Company	<u>(2,851)</u>	<u>-</u>
Profit on Ordinary Activities before Interest	45,981	34,031
Interest Receivable	778	223
Interest Payable and Similar Charges	<u>(3,200)</u>	<u>(2,546)</u>
Profit on Ordinary Activities before Taxation	43,559	31,708
Taxation	<u>(20,744)</u>	<u>(12,073)</u>
Profit on Ordinary Activities after Taxation	22,815	19,635
Minority Interest	<u>(448)</u>	<u>(20)</u>
Profit for the Financial Year	22,367	19,615
Earnings per Share	<u>30.15p</u>	<u>26.53p</u>
Earnings per Share - diluted	<u>28.78p</u>	<u>25.90p</u>

Statement of Total Recognised Gains and Losses for the year ended 31 December 2004

	2004 £'000	2003 £'000
Profit for Year	22,367	19,615
Currency translation adjustments	(457)	(622)
Total Recognised Gains for the Year	<u>21,910</u>	<u>18,993</u>



DANA PETROLEUM PLC

Consolidated Balance Sheet as at 31 December 2004

	2004 £'000	2003 £'000
Fixed Assets		
Intangible Assets	99,254	84,505
Tangible Assets	107,574	108,995
Investments	13,367	16,464
	<u>220,195</u>	<u>209,964</u>
Current Assets		
Stocks	372	323
Debtors	22,688	18,604
Cash at bank and in hand	41,330	40,680
	<u>64,390</u>	<u>59,607</u>
Creditors: amounts falling due within one year	<u>(36,478)</u>	<u>(43,276)</u>
Net Current Assets	<u>27,912</u>	<u>16,331</u>
Total Assets Less Current Liabilities	248,107	226,295
Creditors: amounts falling due after one year	(20,833)	(25,592)
Provision for Liabilities and Charges	(34,318)	(29,210)
Accruals and Deferred Income	(3,507)	(4,109)
Convertible Loan Notes	-	(9,556)
	<u>(58,658)</u>	<u>(68,467)</u>
Minority Interest in Subsidiary Undertakings	(1,696)	(1,407)
Total Net Assets	<u>187,753</u>	<u>156,421</u>
Capital and Reserves		
Called-up Share Capital	11,729	11,098
Share Premium	39,531	30,740
Other Reserves	97,679	97,679
Profit and Loss Account	38,814	16,904
Shareholders' Funds	<u>187,753</u>	<u>156,421</u>



DANA PETROLEUM PLC

Reconciliation of Movements in Shareholders' funds for the year ended 31 December 2004

	2004 £'000	2003 £'000
Total Recognised Gains for the Year	21,910	18,993
New Shares Issued	9,422	147
Net Addition to Shareholders' Funds	31,332	19,140
Opening Shareholders' Funds	156,421	137,281
Closing Shareholders' Funds	187,753	156,421



DANA PETROLEUM PLC

Consolidated Cash Flow Statement for the year ended 31 December 2004

	2004 £'000	2003 £'000
Net Cash Inflow from Operating Activities	61,178	52,219
Returns on Investment and Servicing of Finance		
Interest Received	778	223
Interest Paid	(1,843)	(1,233)
	(1,065)	(1,010)
Taxation Paid	(6,928)	(1,091)
Capital Expenditure and Financial Investment		
Expenditure on Intangible and Tangible Assets	(32,208)	(21,609)
Expenditure on Investments	(44)	(1,425)
Received contribution to Decommissioning Provision	-	8,526
	(32,252)	(14,508)
Net Cash Inflow before Management of Liquid Resources and Financing	20,933	35,610
Management of Liquid Resources		
Short Term Deposits	(347)	(2,876)
Financing		
Issue of Ordinary Share Capital	587	147
Repayment of Short Term Borrowings	(18,245)	-
	(17,658)	147
Increase in Cash in the Year	2,928	32,881



DANA PETROLEUM PLC

Reconciliation of Net Cash Flow to Movement in Net Funds/ (Debt) for the year ended 31 December 2004

	2004 £'000	2003 £'000
Increase in Cash in the Year	2,928	32,881
Cash Out Flow from Repayment of Debt Financing	18,245	-
Cash Movement from Change in Liquid Resources	347	2,876
Change in Net Funds/(Debt) Resulting From Cash Flows	21,520	35,757
Exchange Differences	(309)	1,767
Conversion of Loan Notes to Share Capital	8,835	-
Convertible Loan Notes in Lieu of Interest	-	(771)
Movement in Net Funds / (Debt)	30,046	36,753
Net (Debt) at Beginning of Year	(9,549)	(46,302)
Net Funds/(Debt) at end of Year	20,497	(9,549)



Notes:

1. The financial information contained in this announcement does not constitute statutory accounts as defined in Section 240 of the Companies Act 1985.

The statutory accounts for the year ended 31st December 2004 will be delivered to the Registrar of Companies. The auditors have not yet reported on these accounts but it is expected that the report will be unqualified. The comparative information is based on the statutory accounts for the year ended 31 December 2003. Those accounts, upon which the auditors issued an unqualified opinion, have been delivered to the Registrar.

2. No dividend is proposed.
3. The earnings per ordinary share of 30.15p (2003 - 26.53p) is calculated on the profit of £22,367,000 (2003 - £19,615,000) and on a weighted average of ordinary shares 74,181,328 (2003 – 73,935,213)

The diluted earnings per share of 28.78p (2003 – 25.90p) is calculated on the diluted profit of £22,879,000 (2003 - £20,155,000) and on ordinary shares 79,503,445 (2003 – 77,805,510), being those shares in issue and issuable in respect of Directors’ and employees’ share options and convertible loan stocks.

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

	2004 £'000	2003 £'000
Operating Profit	48,841	34,086
Depreciation Charges	17,993	20,046
Deferred Income	(602)	(631)
Stock Movement	(49)	(140)
Debtors Movement	(4,084)	(4,744)
Creditors Movement	(921)	3,602
Net Cash Inflow from Operating Activities	61,178	52,219

5. Copies of the full accounts will be posted to all shareholders in advance of the Annual General Meeting which is planned to be held in June 2005. 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