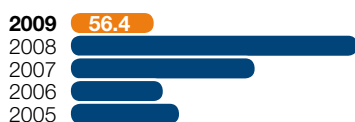


Dear Shareholder

Revenue £ million



Profit before tax £ million



Earnings per share pence



2009 proved to be a challenging year for the Company, but nonetheless, a year with some significant achievements. Most notable amongst these successes were the acquisition of Bow Valley and the associated debt re-financing, which boosted Dana's production base and secured funding and cashflow for the Company for the next three years. This re-financing was completed within an environment where access to liquidity was extremely difficult.

In exploration, a record 17 wells were drilled with some notable successes in the UK, Norway and Morocco. Attractive new acreage was also won in both the UK and Norwegian licencing rounds, and commercially the Company also signed a binding Sale and Purchase Agreement to acquire an interest in offshore Guinea, an exciting new exploration area in West Africa.

In developments, significant milestones were achieved on the Babbage development project, with the float-out and installation of the jacket and topsides in September 2009 and the tie-in work on West Sole has also been concluded. The horizontal wells have also been drilled and completed and now are only required to be fraced prior to first production which is expected mid 2010. Good progress has also been made on both the Barbara-Phyllis and Western Isles Development (WID) projects where sanction is expected towards the end of 2010.

Production outturn for the year at just under 38,700 boepd was broadly flat with the previous year. This was somewhat below expectation due to some production underperformance from certain assets within the portfolio and the depressed UK gas price during the summer of 2009, which resulted in the Johnston gas field being shut-in for more than five months. Together with the lower commodity price environment for much of 2009 and a number of unsuccessful exploration wells, this served to reduce the Company's financial performance relative to previous years.

Overall, however, and from a value creation perspective, proven and probable reserves increased to a new record high of 223 mmboc at the end of 2009, representing a reserves replacement of approximately 304%, being reserves additions of 42 mmboc relative to production in the year of 14 mmboc.

HS&E is a critical business factor across all of Dana's activities and through the implementation of the Company's HS&E management system, Dana strives to achieve a set of ideals in terms of no harm to people, property or the environment in its operations. Annual goals and objectives are set to achieve these ideals and excellent results were delivered in 2009 in respect of these targets. Learnings have been captured and recycled in the setting of challenging goals for 2010 with the aim of achieving continual improvement in HS&E.

Comprehensive details of the 2009 business environment, the Group's activities and the progress and results achieved during the year are contained in the Business Review on pages 6 to 35.

Results

With a lower average realised price per boe of \$44.11 during 2009 (2008: \$66.58 per boe) and average daily oil and gas production broadly flat on the previous year at 38,653 boepd (2008: 39,365 boepd), revenue for the year declined by 23% to £397.3 million (2008: £518.0 million).

Profit before tax also reduced to £56.4 million (2008: £191.4 million). This trading performance was impacted by a number of adjustments, principally £48.3 million of net exploration write-offs, £7.9 million of impairment charges; together partially offset by an exchange gain of £8.0 million due to the movement in the GBP/USD exchange rate during the year.

Despite difficult macro economic conditions during 2009, Dana delivered significant achievements. The Company enters 2010 with reserves replacement at 304% and a dynamic £235 million capital investment programme funded from existing resources



Left to right:
Colin Goodall, Chairman
Tom Cross, Chief Executive

Value adding commercial transactions and refinancing undertaken during 2009 exemplify the expertise and skills embedded within Dana's small team



The Bow Valley

Profit after tax was £25.1 million (2008: £97.2 million). After allowing for the Company's post tax share of the losses from Associates, the profit for the year was £22.6 million (2008: £96.2 million) resulting in an earnings per share of 25.19p (2008: 111.13p).

Cash generated from Group operations was £164.7 million (2008: £345.0 million). This facilitated total investment activity during the year of £259.6 million (2008: £173.4 million), including £236.2 million (2008: £157.4 million) on the Group's portfolio of upstream assets, and was supplemented by net inflows from financing activity of £32.5 million (2008 outflow: £82.5 million) arising from the Group's re-financing activity and the 5% share placing undertaken in May 2009. The Group closed the year with cash resources of £67.6 million and total net debt, including the convertible bond, of £143.8 million (2008 net cash: £43.2 million), and gearing of approximately 22%.

In view of the continuing tight financial market conditions and in light of the Group's ongoing commitment to an extensive exploration and development programme, the Directors do not recommend payment of a dividend. This will be reviewed once the results of the forward programme are known and financial market conditions improve.

Overall, 42 mmboe of proven and probable reserves were added during 2009 due to the net effect of discoveries, disposals and field revisions. This represents a reserve replacement of approximately 304% over the calendar year. Year end proven and probable oil and gas reserves reached a new high of 223 mmboe (2008: 194 mmboe) of which 80% are held in Europe. Dana's end 2009 contingent resources (technically, recoverable hydrocarbons not yet determined to be commercial) were a further 134 mmboe. Therefore the total recoverable hydrocarbon resources available to the Group at the end of 2009 were 357 mmboe (2008: 341 mmboe) of which 62% are currently classed as proven and probable reserves.

Business development

Business development during 2009 continued the success of previous years through a combination of a production adding deal, a material exploration new country entry, as well as a number of portfolio optimisation transactions.

In April 2009, the Group acquired the entire share capital of Bow Valley, a company listed on the Toronto Stock Exchange, through a plan of arrangement. Aggregate consideration was approximately USD 212 million equivalent, which included the assumption of USD 177 million of bank debt. The transaction delivered production from four oil fields producing in the UK, namely Blane, Chestnut, Enoch and Kyle, with a fifth, Etrick, which came onstream during August 2009. The acquisition added approximately 12 mmboe of reserves at the date of completion and a substantial UK tax loss position which has delivered further benefit to Dana post acquisition, particularly given the oil price recovery in the second half of 2009. Through this deal, the Company has again demonstrated its ability to undertake complicated transactions in a difficult financial and economic climate, in a timely manner.

In December 2009, Dana signed a binding Sale and Purchase Agreement with Hyperdynamics Inc to acquire 23% equity in an exploration stage Production Sharing Contract (PSC) covering offshore Guinea, West Africa for a total consideration of USD 20 million. This acreage is considered to be prospective given the recent discoveries in the West Africa Transform Margin including those in Ghana and Sierra Leone. The partnership aims to acquire 3D seismic over the highest ranked prospects in 2010, with the objective of drilling the first exploration well by late 2011.

These diverse commercial transactions and the refinancing undertaken during 2009 with the Bank of Scotland, which delivered a new three year USD 400 million revolving credit facility, are prime examples of the expertise and range of skills embedded within Dana's small team of committed and talented group of industry professionals. The Board is highly appreciative of all staff members' dedication and enthusiasm and wish to formally thank them for their contribution to the Company's activities during such a challenging year.

2010 Planned Capital Investment



17 wells
scheduled for 2010

Outlook

From a macro environment perspective, 2010 has begun with the oil price finding some stability in the USD 70-80 per bbl range and early signs of recovery in the global economy and financial markets, but with volatility likely to remain an ongoing theme for the near term.

Group production for 2010 is expected to be in the range of 37,000 to 41,000 boepd with the actual out-turn again being dependent on the UK gas price which impacted on nominations and hence production during the summer of 2009, and the timing of first gas from the Babbage field. Further substantial progress is planned on the Western Isles Development and Barbara-Phyllis projects during the year to deliver sanction decisions on both projects around the end of 2010.

2010 also has a continued high level of exploration activity, with a total of 17 exploration wells scheduled. The programme has started positively with the announcement in February 2010 of a discovery at the Papyrus well, Dana's second gas discovery offshore Nile Delta, Egypt. Currently, the Bamboo well in the Nile Delta, the Platypus well in the UK Southern North Sea and the K3-4 well in the Netherlands are all drilling. Of the wells remaining in the schedule, most notable are the Anne Marie prospect in the Faroe Islands, West of Shetland, expected to spud in April 2010; and the Cormoran prospect in Block 7 in Mauritania expected to be drilled during the third quarter of the year. Also in 2010 two further wells are scheduled for the UK SNS, two onshore and two offshore wells in the Gulf of Suez (GoS) area, Egypt, one well in Norway and four wells in the East Beni Suef concession in the Western Desert, Egypt.

In total Dana expects to invest around £235 million in its 2010 capital investment programme, though this figure will be subject to volatility in the GBP/USD exchange rate given the significant dollar component of the drilling programme. Currently, £115 million of this will be targeted at exploration, aiming to deliver approximately 300 mmbob, net to Dana, of unrisks P50 reserves. This capital expenditure programme can be funded comfortably from existing cash resources, cashflow from operations and the available debt facilities.

In addition to Dana's extensive ongoing exploration and development programmes highlighted above, the Company will continue to appraise new opportunities and commercial transactions where Dana's technical expertise and financial strength can be utilised to add further value for shareholders.

In conclusion, we would like to thank Dana's shareholders for the support delivered during the past year and their continuing interest in the Company as we look forward together to the opportunities and challenges ahead.

Colin Goodall
Chairman

Tom Cross
Chief Executive

26 March 2010