



2010 Preliminary Results

22 February 2011

Building a platform
for growth



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Above: The Dzheitune (Lam) 28 platform.



Corporate overview



- Strong oil price environment
- Solid operating and financial performance
- Significant investment in infrastructure
- Realising a value-enhancing acquisition remains a strategic priority
- Gas monetisation discussions on-going
- The Board has recommended payment of a maiden full-year dividend of US cents 14.0 in respect of 2010



Above: Offshore operations, the Dzheitune (Lam) B platform, the expanded Central Processing Facility.

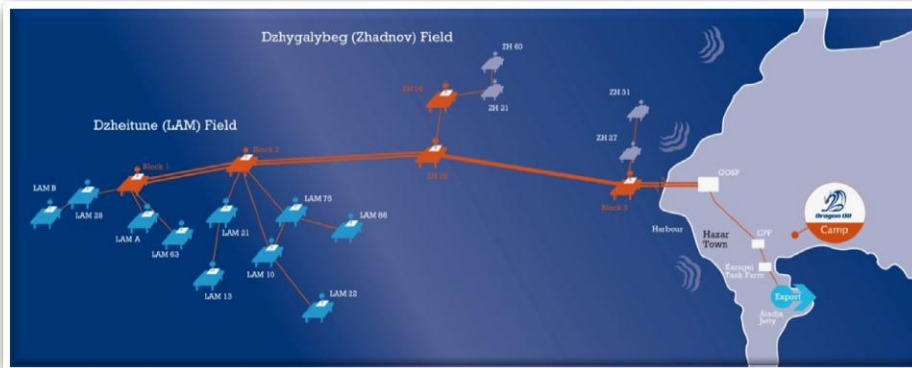


Above: Offshore operations, pipe-laying of the onshore portion of the 30-inch trunkline, export facilities.

- Net profit up 49%
- Record exit production rate of over 57,000 bopd achieved and maintained in January
- The 11-well drilling programme accomplished (2009: eight wells)
- Integrated network of 30-inch trunkline, associated in-field pipelines and expanded CPF completed and operational
- Significant value of infrastructure contracts awarded and underway
- Marketing arrangements via Baku, Azerbaijan successfully secured for 2011
- Organic growth in oil and condensate reserves

31 December 2010

Proved and Probable Remaining Recoverable Reserves	Oil and Condensate (m bbls)	Gas (TCF)
Gross oil & gas reserves	639	1.6
Gross gas contingent resources		1.4



Above: Cheleken Contract Area.

- Oil and condensate reserves increased to 639m bbls
 - Increase from reserves in the Dzheitune (Lam) West area and from the additional condensate, which will be stripped from gas once the Gas Treatment Plant is constructed
- Gas reserves of 260 mboe on conversion of gas resources to 1.6 TCF of gas reserves
- Gas resources of 1.4 TCF

- Historically, cash generated reinvested in business to fund development of asset in Cheleken Contract Area, Turkmenistan
- The Board of Directors of Dragon Oil has decided to introduce a dividend policy in recognition of maturity of the Group, cash generation abilities and strong balance sheet
- Full-year maiden dividend in respect of 2010 declared at US cents 14.0 per share
- Commencement of dividends will not impact our plans to grow the business organically through development, nor our ability to pursue value-enhancing acquisitions
- The level of future dividends will be decided by the Board at the appropriate time in light of the Group's then performance, capital requirements and its investment needs and opportunities
- In future years, the annual dividend will be split between an interim and final dividend and paid approximately half-yearly

- Dragon Oil strategically has used two marketing routes in the past, via Neka, Iran and Baku, Azerbaijan
- When the Iranian swap agreement expired, we were able to secure a new contract for our oil via Baku and to extend it up to December 2011
- We continually monitor alternative routes for commercially attractive arrangements



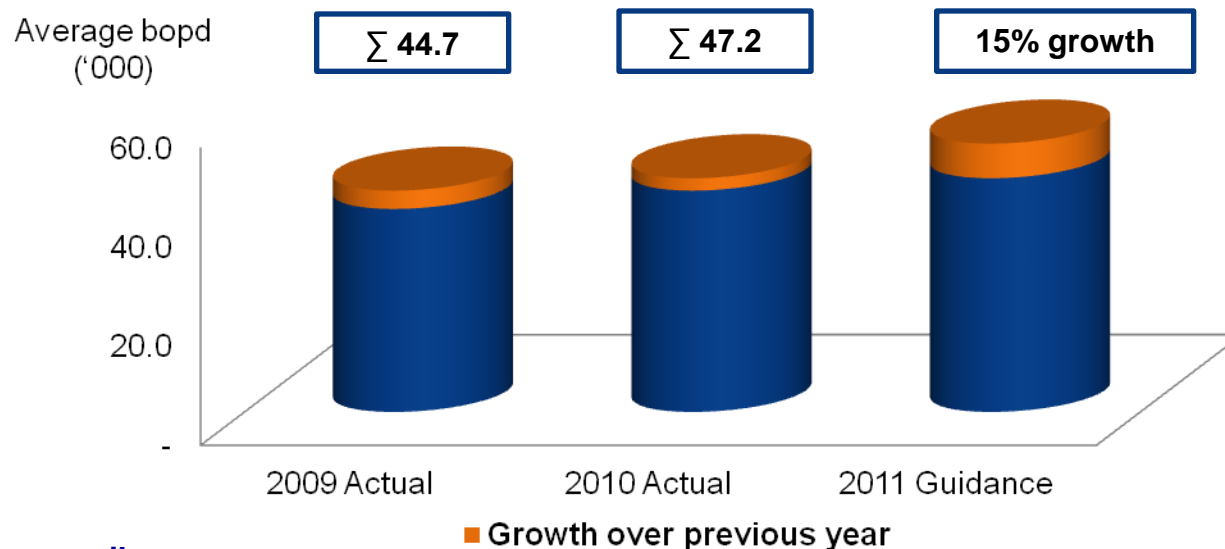
Above: Cheleken Contract Area and marketing routes.



Operations



- Average gross production rose 5.5% to 47,211 bopd (2009: 44,765 bopd)
- Constrained by infrastructure bottlenecks, which have been removed following the switch over to the integrated network
- 2010 exit rate was up 14.7% over 2009 level to 57,013 bopd
- Stable average flow rates of above 57,000 bopd in December 2010 and January 2011
- Target strong growth in 2011



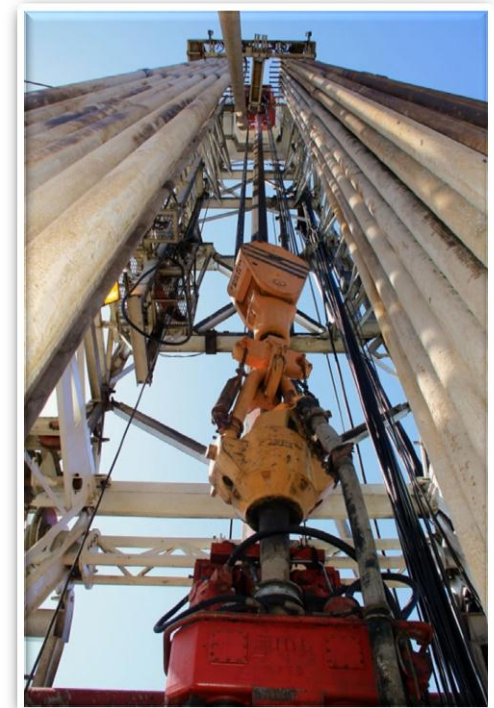


Drilling and Infrastructure



- 11 wells completed during 2010 and first week of 2011
- Workover programme yielded incremental 2,400 bopd
- 11 wells planned for 2011 with the Iran Khazar, NIS rig and Rig 40
- On-going workover programme

Well	Rig	Completion date	Depth (metres)	Type of completion	Initial test rate (bopd)
A/142	Iran Khazar	March	3,961	Dual	2,103
13/143	Rig 40	March	3,450	Dual	2,168
B/141	Astra	April	4,502	Dual	1,895
B/145	Astra	June	3,344	Single	1,054
13/144	Rig 40	July	3,434	Single	1,809
28/146	NIS	July	3,200	Single	2,311
28/147	NIS	September	3,400	Single	2,451
B/148	Iran Khazar	October	3,858	Dual	2,639
28/149	NIS	October	3,295	Dual	4,379
28/151	NIS	December	3,512	Dual	2,656
B/150	Iran Khazar	January 2011	3,980	Dual	1,622



Above: Offshore rig.



Dzheitune (Lam)

- 9 producing platforms
- Third new platform (C) expected in Q4 2011
- 51 new producing wells (post 2010 drilling programme)
- 20 old wells still producing

Dzhygalybeg (Zhdanov)

- 3 producing platforms
- First new platform (A) expected in Q1 2012
- 4 old wells still producing
- Appraisal well planned in 2012

Above: The Dzheitune (Lam) B platform, offshore operations, the Dzheitune (Lam) 28 platform with an accommodation facility.

- Major infrastructure upgrade completed and operational:
 - 30-inch 40 km trunkline from Block 2 to the CPF;
 - Three associated in-field pipelines in the Dzheitune (Lam) Western Area; and
 - Phase 2 expansion of the CPF
- Significant value of infrastructure contracts awarded in 2010, among those:
 - Dzheitune (Lam) C platform;
 - Dzhygalybeg (Zhdanov) A platform with an accommodation facility;
 - Dzheitune (Lam) Block 1 gathering station;
 - 100-tonne floating crane vessel; and
 - Upgrade of three Dzheitune (Lam) and two Dzhygalybeg (Zhdanov) platforms with additional slots
- Other contracts
 - New build Super M2 jack-up rig ordered from Yantai Raffles



Corporate Social Responsibility



Our people

- Professional training courses and internships in HQ
- Targeted programmes for high-potential employees
- “Employee of the Month”
- Centre of Excellence



Engagement with the community

- Health and education-related projects with an aim to contribute to the welfare of the community
- Planned construction of a US\$3m polyclinic
- Continued supply of drinking water from desalination plant
- Provision of neo-natal equipment to Hazar Hospital
- Refurbishment of a school gym and a sports ground



Health, Safety and Environment

- Regular assessment of health and safety risks associated with the production of hydrocarbons and review of policies
- Extensive training in safety measures and emergency drills
- Opportunity to cease gas flaring when the facilities are in place to supply unprocessed gas into the Turkmen system



Above: Training, the entrance to Dragon Oil's camp in Hazar, offshore operations.



Financials

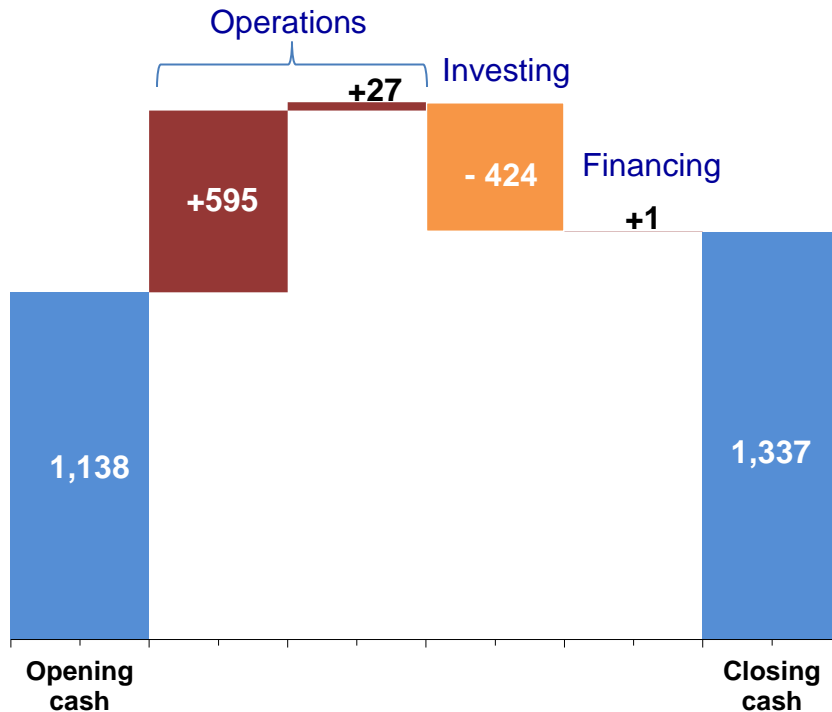


US\$m	2010	2009	Change
Revenue	780.4	623.5	+25%
Operating profit	487.7	314.4	+55%
Net profit	386.1	259.0	+49%
Basic earnings per share (US\$ Cents)	74.9	50.3	+49%
Dividend per share (US\$ Cents)	14.0	nil	na
Capital employed	2,092.9	1,703.2	+23%
Net cash from operating activities	594.7	500.3	+19%
Net cash used in investing activities	(721.9)	(682.3)	(6%)
Cash balance	1,336.6	1,137.6	17%
Debt	nil	nil	nil

- Significant growth in EPS (up 49%)
- Strong cash balance enabling us to continue with the Cheleken Contract Area development, execute value-enhancing acquisitions and commence the payment of dividends
- Unleveraged position maintained

US\$m	2010	2009	Change	Comments
Revenue	780.4	623.5	25%	17% increase in realised crude oil prices and 3% increase in sales volumes
Cost of sales	(264.7)	(282.3)	6%	Movement in lifting position and lower marketing costs partly offset by a lower crude oil inventory
Administrative expenses (net)	(28.0)	(26.8)	(5%)	Higher corporate costs comparable with one-off charges in the previous year
Operating profit	487.7	314.4	55%	Higher operating profit as a result of lower cost of sales and higher revenue
Finance income	27.0	30.6	(12%)	Lower interest rate environment despite higher cash maintained during 2010
Income tax expense	(128.6)	(86.0)	(50%)	Higher tax expense as a result of higher profit before tax
Net profit	386.1	259.0	49%	

Cash flow in 2010 (US\$m)

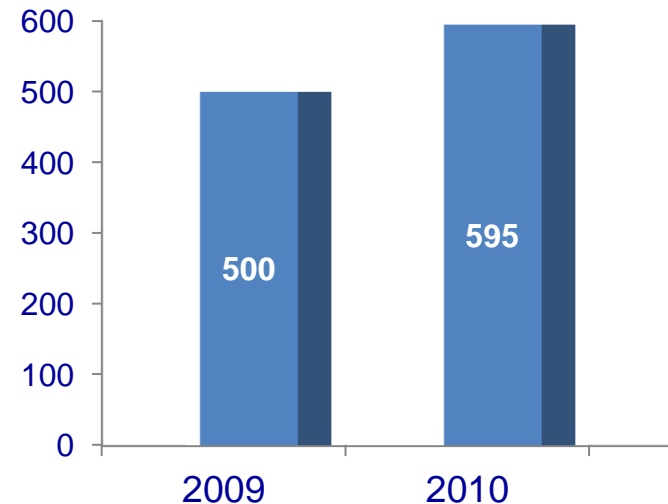


Cash and term deposits total US\$1,337m as at year end 2010 and include:

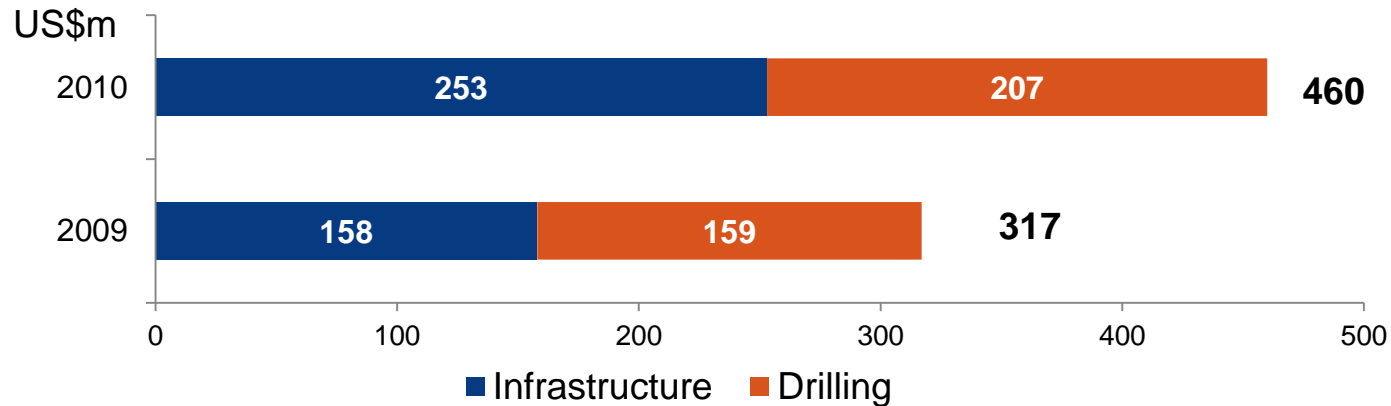
- Term deposits of less than three months US\$142m
- Term deposits of more than three months of US\$1,195m
- Includes abandonment and decommissioning fund of US\$174m

- Net cash from operations up 19%
- Capital expenditure in 2010 was US\$460m and US\$424m cash outflow after movement in payables
- Cash maintained with international and UAE banks

Net cash from operations (US\$m)



US\$m	2010	2009	Comments
Non-current assets			
Property, Plant & Equipment and intangible assets	1,176.4	909.4	Increase due to US\$460m of capex offset by depletion and depreciation charge
Current assets			
Inventories, trade & other receivables	145.2	100.6	Increase due to higher inventory of drilling and other supplies and higher trade receivable
Cash & term deposits	1,336.7	1,137.6	Increase is due to cash generated from operations
Total assets	2,658.3	2,147.6	
Total equity	2,092.9	1,703.2	Increase attributed to profit for the period
Liabilities			
Non-current liabilities	83.2	89.1	Maintained zero-debt position
Current liabilities	482.2	355.3	Higher due to US\$36.8m movement in current tax liability and US\$90.1m increase in payables
Total equity & liabilities	2,658.3	2,147.6	



Total capital expenditure in 2010 of US\$460m:

- Drilling (45%):
 - 11 wells completed
- Infrastructure (55%)
 - 30-inch trunkline
 - Infield pipelines
 - Phase 2 expansion of CPF
 - Infrastructure upgrades



Above: Pipe-laying for the trunkline and in-field pipelines.



Outlook

	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Q1 2012	2011-13
Drilling	Lam 28/152 Lam B/153	Two wells from Platforms 28 and B	Three wells from Platforms 28, B and 13	Four wells from Platforms 28, B and 13		Up to 40 wells, incl. five appraisal wells
Infrastructure			Dzheitune (Lam) Block I	Dzheitune (Lam) C platform	Dzhygalybeg (Zhdanov) A platform	US\$600-700m spend on projects
Production	Target 10-15% gross production growth					10-15% on average per annum



Above: Offshore platform.

	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Q1 2012	2011-13
Gas developments	<ul style="list-style-type: none"> Proceed with the plan for construction of GTP for US\$150-170m Continue discussions with Turkmen authorities 					GTP with initial capacity of 200 mmscf/d
Diversification	<ul style="list-style-type: none"> North and West Africa, the Middle East, Central and South-East Asia Oil and gas offshore and onshore with exploration upside 					
Dividends		18 May, AGM to approve 2010 full-year maiden dividend		2011 Interim dividend		2011 AGM to approve final dividend



Above: Storage tankers.

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