12 February 2013

DRAGON OIL PLC
(the "Company" or together with its subsidiaries the "Group" or "Dragon Oil")

2012 Full-Year Results

Dragon Oil (Ticker: DGO), an international oil and gas exploration, development and production company, today announces its full-year results for the year ended 31 December 2012. These results are prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

KEY FINANCIAL HIGHLIGHTS

	2012	2011	Change
(US$ mn, unless stated)			
Revenue	1,155.1	1,150.5	0.4%
Operating profit	790.9	856.2	-8%
Profit for the year	600.0	648.4	-7%
Basic EPS (US cents)	119.5	126.0	-5%
Full-year dividend per share (US cents)	30.0	20.0	50%
Cash and cash equivalents and term deposits*	2,144.2	1,805.8	19%
Debt	Nil	Nil	Nil

*includes US$407.7mn (2011: US$279mn) of A&D deposits.

KEY OPERATIONAL AND CORPORATE HIGHLIGHTS

Drilling

- Fifteen wells completed during 2012 against an initial guidance of 13 to 15 wells;
- Average gross daily production increased by 10% to 67,600 bopd;
- Average daily production rate for the month of December 2012 was 73,500 bopd;
- Two platform-based rigs are scheduled to commence drilling in the Dzhygalybeg (Zhdanov) area; and
- The contract to continue the use of the currently deployed jack-up rig extended for another two years.

Corporate and Commercial Developments

- 180% organic reserves replacement of 2P oil and condensate reserves;
- 2012 year-end oil and condensate 2P reserves increased by 44 mn barrels to 677 mn barrels with oil and condensate contingent resources at 59 mn barrels; gas 2P reserves and contingent gas resources remained at similar levels of c. 3 TCF;
- Marketing route for the full export volumes secured for two years to 31 December 2014;
- Dragon Oil in a consortium of companies was awarded exploration Block 9 in Iraq; and
- Dragon Oil in a consortium of companies was selected as the winning bidder for two exploration blocks in Afghanistan.

Financial Developments

- The Board recommends the payment of a final dividend of 15 US cents per share for 2012; the full-year dividend for 2012 amounts to 30 US cents (2011: 20 US cents);
- $200mn share buyback programme was undertaken in 2012 with 22.6 mn shares purchased and cancelled; and

- Cash generating abilities remained strong: US$1bn was generated from operations during 2012.

Outlook for 2013-15

- Expect to complete 13 to 15 wells and two workovers in 2013 and around 20 development wells per year in 2014 and 2015;
- Target annual production growth at the lower end of the medium-term guidance of 10-15% on average per annum in 2013 and around 15% in 2014 and 2015;
- Achieve the 100,000 bopd production target in 2015;
- Drilling from the Dzhygalybeg (Zhdanov) A and B platforms due to commence in 2H 2013;
- Plans to award a contract to build the Dzheitune (Lam) D and E platforms in 2013;
- The Caspian Driller jack-up rig expected for delivery in mid-2013;
- Perform water injection pilot projects at the Dzheitune (Lam) 75 and 13 areas;
- US$1.5 billion estimated capital expenditure for infrastructure and drilling in 2013-15 in the Cheleken Contract Area;
- Progress plans to build the Gas Treatment Plant; and
- Actively pursue the diversification strategy.

Dr Abdul Jaleel Al Khalifa, CEO, commented:

“I am pleased to report once again strong financial and operational results for 2012. We sustained the over-US$1 billion level in revenues as a result of strong oil prices and growth in production and finished the year with the average December production of robust 73,500 bopd.

“The year was not an easy one for us. We faced sand control issues in certain wells in 2Q 2012, which temporarily reduced production rates. We mobilised our highly professional and experienced operational teams to tackle the challenge; the production quickly returned to the previous level.

“Two new platforms are being fabricated and will be installed in the Dzhygalybeg (Zhdanov) field – initiating a new phase in the Group’s drilling campaign in an area that last saw active drilling during the three decades before 2000. With more new platforms to be constructed for the Cheleken Contract Area, we are gearing up for continued intense drilling over the next few years as we progress towards our target of 100,000 bopd and prepare to maintain it for at least five years thereafter.

“On the diversification front, we had a good year having expanded our portfolio of exploration assets in two more countries, Iraq and Afghanistan, and we continue to look for further opportunities.

“2013 is promising to be an exciting year with the first drilling results from the Dzhygalybeg (Zhdanov) field, initial findings from the water injection project, exploration drilling in the Tunisian block, and the arrival of the Caspian Driller – major milestones that our team is ready to handle.”

Glossary/Definitions/Abbreviations	
A&D	Abandonment and decommissioning
AGM	Annual General Meeting
Assessment of reserves	Reserves certification based on a seismic survey conducted by an independent energy consultant
bopd	barrels of oil per day
bn	billion
Dragon Oil / the Group	Dragon Oil plc and its various subsidiary companies
Dual completion	Two pay zones in the same well that produce independent flow paths in the same well
DWT	Dividend Withholding Tax
mn	million
Overlifts and underlifts	Crude oil overlifts and underlifts arise on differences in quantities between the Group's entitlement production and the production either sold or held as inventory
Platform	Large structure used to house employees and machinery needed to drill wells in a reservoir to extract oil and gas for transportation to shore
Probable reserves (2P)	Reserves based on median estimates, and claim a 50% confidence level of recovery
PSA	Production Sharing Agreement is a contractual arrangement for exploration, development and production of hydrocarbon resources in the Cheleken Contract Area
TCF	Trillion Cubic Feet
US cents	United States cents
US$	United States Dollars
Workover	Well intervention involving invasive techniques, such as wireline, coiled tubing or snubbing

Webcast and conference call details:

Dragon Oil will webcast the presentation of its results with a simultaneous conference call today at 9.30am. For details of the analyst call, please contact Jack Rich at Citigate Dewe Rogerson on +44 (0)20 7282 2996 or at jack.rich@citigatedr.co.uk for further details. The webcast details are available on the Home page of www.dragonoil.com.

A replay of the webcast will be available for one year, the replay of the conference call will be available from around 1pm today until 19 February 2013.

Replay numbers:

UK	+44 (0)20 3427 0598
Ireland	+353 (0)1 486 0902
USA	+1 347 366 9565
Replay passcode	9479521

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About Dragon Oil

Dragon Oil plc is an international oil and gas exploration, development and production company, quoted on the London and Irish Stock exchanges (Ticker symbol: DGO). Its principal producing asset is in the Cheleken Contract Area, in the eastern section of the Caspian Sea, offshore Turkmenistan.

Dragon Oil (Turkmenistan) Ltd., a wholly owned subsidiary of Dragon Oil plc, holds 100% interest in, and is the operator of, the Production Sharing Agreement for the Cheleken Contract Area. The operational focus is on the re-development of two oil-producing fields, Dzheitune (Lam) and Dzhygalybeg (Zhdanov).

www.dragonoil.com

Disclaimer

This news release may contain forward-looking statements concerning the financial condition and results of operations of Dragon Oil. Forward-looking statements are statements of future expectations that are based on management's current expectations and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in these statements. No assurances can be given as to future results, levels of activity and achievements and actual results, levels of activity and achievements may differ materially from those expressed or implied by any forward-looking statements contained in this report. Dragon Oil does not undertake any obligation to update publicly or revise any forward-looking statement as a result of new information, future events or other information.

DRAGON OIL PLC

2012 Full-Year Results

OVERVIEW BY THE CHIEF EXECUTIVE OFFICER

ROBUST FINANCIAL PERFORMANCE

We earned over US$1 billion in revenues for the second year in a row due to strong oil prices and solid production growth. Our cash generating abilities remained strong: we generated US$1bn from operations during the year. The Group continued to return capital: a significant dividend payout allowed us to reward our shareholders with a higher interim dividend and today the Board of Directors recommends a higher final dividend of 15 US cents. This brings the total dividend for the year to 30 US cents. We also felt it was right to carry out a share buyback programme to return US$200mn to our shareholders, which was successfully completed last October.

SATISFYING OPERATIONAL RESULTS

Production growth is a key operational measure for us, everything revolves around it. It is not then surprising that our best resources, talented and experienced colleagues, were pulled together when the sand control issues impacted production rates in certain wells. Teams across all operational departments acted together to solve the issue as quickly as was possible within the challenging operating environment of the Caspian Sea. Despite the sand control issue, which is under control now, we achieved a solid 10% gross production growth having completed more wells than we had originally planned.

In 2013, drilling will commence in the Dzhygalybeg (Zhdanov) field, which was discovered in the 1960s and saw active drilling campaigns in the 1970s-80s. Although we do not expect the same initial flow rates as in the Dzheitune (Lam) area, we hope that completions using current technologies will translate into improvement on the historical flow rates.

Organic growth in oil and condensate 2P reserves was considerable last year; a reserves replacement of 180% achieved against the 2012 gross production. The drilling campaign in the Dzheitune (Lam) area has been largely targeted at the shallow sands that are of good quality. The drilling results and production performance of wells in this area have justified an increase in 2P reserves attributable to those sections.

Infrastructure expansion onshore and offshore supports our drilling programme and production growth. In 2012, work continued on the two new platforms for the Dzhygalybeg (Zhdanov) field, A and B. The Dzhygalybeg (Zhdanov) A platform modules will be mobilised to the field in 1Q 2013 and once the platform-based rig is installed up on the platform, we will be ready to commence operations in 2H 2013. The Dzhygalybeg (Zhdanov) B platform is being completed near our operations in Hazar, Turkmenistan, and is expected to be ready for drilling in 2H 2013. The tendering processes for a number of new platforms are currently ongoing and we have plans to install more platforms as we continue to develop the reserves in the Cheleken Contract Area.

We secured a marketing route for all our export volumes until the end of 2014 via Baku, Azerbaijan, that has proven to be a reliable outlet for our crude oil to-date.

DIVERSIFICATION

Further progress was made on executing our diversification strategy. In Iraq, in a consortium of companies we were awarded exploration Block 9 in the Basra region, while in Afghanistan, again in a consortium of companies, we were selected as the winning bidder for two exploration blocks, Sanduqli and Mzar-i-Sharif. In the offshore block in Tunisia, the Bargou Exploration Permit, we expect to commence drilling in March of this year and look forward to seeing the results of this exploration activity.

We actively continue our search for the right-fit assets in the regions of interest, namely Africa, the Middle East and Central Asia.

OPERATING AND FINANCIAL REVIEW

Turkmenistan

Production

The average gross field production for 2012 reached 67,600 bopd (2011: 61,500 bopd) on the back of 15 wells completed in the Dhzeitune (Lam) area. The solid 10% growth was achieved despite the constraining impact from the sand control issues announced in 2Q 2012, which were more than offset by the increased production flow from the higher number of wells completed in 2012. The issues were resolved within a few weeks and production continued to grow: by mid-August the production rate was above 70,000 bopd. The initial schedule of completing between 13 and 15 wells during 2012 was upgraded to 15 wells.

The entitlement production for 2012 was approximately 48% (2011: 53%) of the gross production. Entitlement barrels are finalised in arrears and are dependent on, amongst other factors, operating and development expenditure in the period and the realised crude oil price. The lower proportion of entitlement barrels in 2012 is primarily due to the workings of the Production Sharing Agreement ("PSA") for the Cheleken Contract Area.

Marketing

11.6 mn barrels (2011: 11.4 mn barrels) of crude oil were sold in 2012. The volumes sold were marginally higher than the previous year's level mainly due to higher production, offset by lower entitlement and changes in the lifting and inventory positions.

In 2012, Dragon Oil exported 100% (2011: approximately 99%) of its crude oil production through Baku, Azerbaijan.

In January 2013, the Group reached an agreement that secured a reliable export route for all its anticipated entitlement production until 31 December 2014, FOB (free-on-board) the Aladja Jetty, through Baku, Azerbaijan. It is expected that the realised crude oil prices under this contract will be in the range of a 14-17% discount to Brent.

The Group was in an overlift position of approximately 0.1 mn barrels of crude oil at the end of 2012 (31 December 2011: underlift position of 0.05 mn barrels of crude oil).

Drilling

We retain flexibility in our drilling programme and will optimise it as we progress through the year. We deployed rigs on the new Dzheitune (Lam) C platform and where we have additional spare capacity, the Dhzeitune (Lam) 28, A and 13 platforms.

The Group also re-assesses continuously the subsurface targets and drills to various depths based on the hydrocarbon distribution and oil reserves in every zone. The targets in 2012 were mostly in shallow layers, where we performed single or dual completions or sidetracks of existing wells. The Group had realised shorter drilling times and, consequently, more wells were completed during the stated period. We also retain an option of returning to deeper targets in the future.

The initial flow rates from the completed wells vary due to a number of factors, including depth of completions, maturity of the area and type of completion (a dual or single completion or a sidetrack). Overall, the results were largely in line with our expectations.

During 2012, Dragon Oil completed a 15-well drilling programme in the Dzheitune (Lam) field. The following table summarises the results of this drilling programme:

Well	Completion date	Depth (metres)	Type of completion	Initial test rate (bopd)
13/140A	January	2,237	Single sidetrack	2,123
A/165	January	3,060	Dual	2,272
28/166	February	2,810	Single	1,975
C/167	March	2,765	Dual	3,396
13/168	April	2,791	Single	1,008
28/169	May	2,010	Single	2,097
C/170A	June	2,730	Dual	2,072
13/171*	June	2,893	Single	-
28/172	June	2,007	Single	1,976
C/173	July	3,015	Dual	2,918

28/174	July	1,976	Single	1,705
13/144C	July	2,637	Single sidetrack	956
C/175	September	2,721	Single	1,420
A/176	November	1,786	Single	1,462
A/177	December	3,085	Single	1,796

*Note: No commercial oil flow, we are evaluating the feasibility of using this well for water injection purposes at a later date.

Since the beginning of the year, we have completed the Dzheitune (Lam) 28/178 development well, which is currently being tested.

Three drilling rigs operated for Dragon Oil for most of 2012. Two of these rigs, a jack-up and a leased platform-based rig, are expected to be used in 2013 for all of the year. The contract to continue using the currently deployed jack-up rig has been extended for another two years until May 2015. The contract for the use of the leased platform-based rig has been extended to complete another three wells.

The two platform-based rigs the Group awarded at the beginning of 4Q 2012 are scheduled to commence drilling in the Dzhygalybeg (Zhdanov) field in 2H 2013. We expect the delivery of the Caspian Driller jack-up rig in mid-2013.

Water injection project

In 2011, a preliminary water injection study using a dynamic simulation model was completed for the Dzheitune (Lam) 75 area. Subsequently, based on the simulation results, an injectivity test was conducted in June 2011. We have converted one of the wells in the target Dzheitune (Lam) 75 area into an injector-type well and will commence injection of water and monitoring shortly as part of the pilot water project. Similar activities are being undertaken in the Dzheitune (Lam) 13 area.

Infrastructure

The Dzhygalybeg (Zhdanov) A platform modules will be mobilised in 1Q 2013 to the field and the platform is expected to be ready for drilling in 2H 2013. Drilling is scheduled to commence thereafter from this platform using one of the platform-based rigs. The Dzhygalybeg (Zhdanov) B platform, which is being assembled in Dragon Oil's yard in the harbour area in Hazar, Turkmenistan near our operations, is scheduled for installation in 2H 2013. Drilling from this platform is expected to commence in 2H 2013. Both platforms have 16 slots each: eight for drilling with a jack-up rig and eight for drilling using a land rig.

We expect to award contracts to build and install the Dzheitune (Lam) D and E platforms and associated pipelines in due course. Construction is expected to take up to two years once the contracts are awarded. These platforms will be built for drilling with a jack-up rig with eight slots each initially.

The tendering processes to award contracts for the construction and installation of another two platforms in the Dzheitune (Lam) field and associated pipelines are ongoing. We expect to be able to award contracts for the construction of these platforms in 1H 2013.

The Group's plans to triple its crude oil storage capacity are progressing. The tendering process to select an engineering, procurement, installation and construction contractor to increase the Group's crude oil storage capacity at the Central Processing Facility is in the bids evaluation stage. We expect the award of the contract to happen in 1H 2013 and the construction phase to take two years with a number of tanks built on a priority basis.

Within the first phase of its strategy for plugging, abandonment and decommissioning of the old non-producing wells and non-producing platforms in the Cheleken Contract Area, Dragon Oil has plugged and abandoned two non-producing old wells. The execution of this strategy is part of the abandonment and decommissioning activities the Group plans to undertake under the PSA. Up to 13 non-producing wells remain to be logged for evaluation before being completely plugged and abandoned. The cost of the project is to be covered from the abandonment and decommissioning funds.

Reserves and resources

Based on the results of the recent assessment by an independent energy consultant, the 2012 year-end oil and condensate 2P reserves were upgraded to 677 (31 December 2011: 658) mn barrels after having allowed for the 2012 production of 25 mn barrels. The oil and condensate contingent resources of 59 mn barrels compared with 88 mn barrels as of 31 December 2011; the decrease is on account of a change in the resource base after recognising an increase in 2P reserves.

The gas 2P reserves remained at 1.5 TCF while the gas contingent resources remained at 1.4 TCF. Necessary upgrades of and additions to offshore and onshore infrastructure are planned to allow the conversion of the contingent resources into reserves in the future.

Proved and Probable Remaining Recoverable Reserves	As at 31 December 2012		As at 31 December 2011		As at 31 December 2010	
	Oil and Condensate	Gas	Oil and Condensate	Gas	Oil and Condensate	Gas
	mn barrels	TCF	mn barrels	TCF	mn barrels	TCF
Gross field reserves to 1st May 2035	677	1.5	658	1.5	639	1.6
2C Resources						
Gross oil and condensate contingent resources	59	-	88	-	47	-
Gross gas contingent resources	-	1.4	-	1.4	-	1.4

No changes have been made to the estimates of recoverable oil from the Dzhygalybeg (Zhdanov) field, where we believe 15% of the total proved and probable recoverable reserves are contained. We plan to start drilling in the Dzhygalybeg (Zhdanov) field later this year. This will enable us to understand better what the field is capable of producing.

Gas Monetisation

We have the approval to commence the tendering process for an engineering, procurement, installation and construction project for the Gas Treatment Plant and will proceed in due course; the construction phase is likely to take two to three years after the contract is awarded in 2H 2013.

The processing capacity of the plant is expected to be higher at 360 mmscfd of gas as compared to a previous plan of 220 mmscfd, which, according to our estimates, which are to be verified at a later stage, should allow us in the future to strip around 3,600 barrels of oil equivalent per day of condensate and blend our share of condensate with our entitlement share of crude oil. The split of the produced condensate is subject to the same terms under the PSA as for crude oil.

Tunisia

The Bargou Joint Venture, comprising Dragon Oil (55%), Cooper Energy (30%) and Jacka Resources (15%), has secured a drilling rig from Grup Servicii Petroliere SA ("GSP") and well management services from AGR Petroleum (ME) Ltd – Dubai for drilling an exploration well in the Bargou Exploration Permit, offshore Tunisia. Drilling is scheduled to commence in March 2013. The drilling of the well will be managed by Cooper Energy. The Joint Venture has applied for a one-year extension to the current exploration phase (taking it to 2014). This will allow for additional analysis of the results of the forthcoming well.

Iraq

Dragon Oil (30%) and Kuwait Energy (70% and operator) as a consortium have been awarded an exploration, development and production service contract for Block 9 in Iraq's fourth bidding round. The formal contract between the Iraqi Ministry of Oil and the consortium was signed in January 2013.

Block 9 is located in the Basra province. The block spans over 900 km². The work commitment on the block within the initial five-year exploration period will include de-mining of the area in the first instance, seismic acquisition and interpretation and drilling an exploration well.

Afghanistan

A consortium of companies comprising Dragon Oil, Kuwait Energy, Turkiye Petrolleri A.O. (TPAO) and the Ghazanfar Group has been selected as the winning bidder for two exploration blocks, Sanduqli and Mzar-i-Sharif, in the Afghan-Tajik Phase 1 Oil & Gas Tender. The consortium has been invited to enter into negotiations with the Afghanistan Ministry of Mines for the exploration, development and production activities in the two blocks, which are expected to take place and conclude in 1Q 2013.

Dragon Oil's diversification strategy remains to screen and evaluate targets that fit our criteria within Africa, Central Asia, the Middle East and selectively south-east Asia in order to create a diversified and balanced portfolio of exploration and development assets for the Group.

Share Buyback Programme

In June-October 2012, Dragon Oil undertook a US$200mn share buyback programme to purchase up to a maximum of 5% of the then issued share capital of the Company. A share buyback programme is an efficient means to return some of the cash resources to our shareholders without impacting upon the

Group's ability to grow production organically and diversify through acquisitions of assets. The shares were purchased and cancelled thus reducing the overall number of shares in issue and rewarding shareholders by increasing the future earnings per share. The programme concluded on 25 October 2012 with 100% of the allotted funds spent to acquire 22.6 mn shares for cancellation, at a weighted average price of GBP 5.68 per share.

Dividends

The Board of Directors of Dragon Oil recommends the payment of a final dividend of 15 US cents per share. Together with the interim dividend of 15 US cents, the total dividend for the year ended 31 December 2012 is 30 US cents. The final dividend of 15 US cents is subject to shareholder approval at the Annual General Meeting to be held in London, UK on 30 April 2013. If approved, the final dividend of 15 US cents is expected to be paid on 3 May 2013 to shareholders on the register as of 5 April 2013.

The following is the dividend timetable for the shareholders' information:

12 February 2013: Declaration of final dividend

3 April 2013: Ex-Dividend Date

5 April 2013: Record Date

30 April 2013: AGM

3 May 2013: Dividend Payment Date.

Our People

In 2012, the Group increased its average headcount to 1,368, a 12% increase over the previous year. In 2012, 235 new people joined Dragon Oil across its two main locations, the headquarters in Dubai, UAE, and operational and administrative sites in Turkmenistan. New people were hired for almost all departments operating from Dubai; while for operations in Turkmenistan we continued to hire in the areas of engineering, field development and production, HSE, maintenance and projects, as well as finance. Most of the hiring took place in Turkmenistan and most of the new hires were local people. We plan to continue to expand our workforce at a similar pace to support continued growth of the company and to ensure our medium-term goal to reach the 100,000 bopd target in 2015. A number of hires have been made to back our diversification strategy, for New Ventures and Exploration team to support our expanding operations and our entry into other countries.

The Group continued with its objective of strengthening our expertise, cultural diversity and talent through hiring experienced and competent people. Our guiding principle of "People First" continues to drive our focus on training, empowering and trusting our talented workforce. It also drives our commitment towards the people in the community. The almost completed state-of-the-art polyclinic in Hazar, Turkmenistan near our operations will improve the quality of healthcare services provided to our employees, their families and the local community.

Corporate Social Responsibility

From 2011 to early 2013, Dragon Oil undertook a significant project, building a polyclinic in Hazar, Turkmenistan to provide healthcare services to our employees and the local community. In 2011, Dragon Oil completed the concept design and scope of work and awarded a contract for this US$5mn project to an international contractor. We are pleased to report that the polyclinic building and related infrastructure have been completed and we anticipate the inauguration shortly.

We continue to lend support to the local community by undertaking smaller-scale community-support projects, such as the refurbishment of a local school and nursery. We also sponsored a number of sport and art-related events and committees in Hazar, Balkanabad and Ashgabat, Turkmenistan.

Dragon Oil also completed a project in Basra, Iraq to improve sanitary facilities at three schools for girls.

Outlook for 2013 and 2014-15

For 2013, we expect to grow production at the lower end of the medium-term guidance of 10%-15% on average per year. The plan calls for completion of 13 to 15 wells and two workovers given the availability of drilling rigs. We are currently employing one jack-up rig and a leased platform-based rig and have awarded two more platform-based rigs. The leased platform-based rig will continue to drill from the Dzheitune (Lam) 28 platform, while the other two rigs are expected for delivery in 2H 2013 to commence drilling from the Dzhygalybeg (Zhdanov) A and B platforms, respectively. Drilling activity will be weighted towards the second half of the year after the awarded drilling rigs are delivered to the Cheleken Contract Area.

The details of the drilling programme are as follows:

- The leased platform-based rig is currently drilling the Dzheitune (Lam) 28/179 well and will drill one more well in 2013 from the same platform; once the wells are completed we will review our options to drill further three wells from a different platform;

- The jack-up rig is now undergoing planned maintenance after which it is due to complete four wells in the Dzheitune (Lam) area; the contract for its use has been extended until May 2015;

- The first platform-based rig is due to commence drilling from the newly installed Dzhygalybeg (Zhdanov) A platform in 2H 2013 and we expect to be able to complete one to two wells from this platform;

- The second platform-based rig is expected to start drilling from an upgraded Dzheitune (Lam) platform or the next installed Dzhygalybeg (Zhdanov) B platform in 2H 2013 and we expect to be able to complete one to two wells using this rig; and

- The delivery of the Caspian Driller is anticipated in mid-2013 and we plan to complete up to two-three wells using this rig in the second half of the year.

Over the 2013-15 period, we expect to maintain an average production growth of 10% to 15% per annum, taking our gross field production to a level of 100,000 bopd in 2015 with the aim of maintaining this level for a minimum period of five years thereafter. Delivery of the production targets, including the attainment of this sustainable production level is supported by a development plan that envisages the deployment of up to three jack-up rigs, additional platform-based rigs, construction of new platforms and execution of a range of key infrastructure projects.

The infrastructure spend in 2013 is expected to amount to approximately US$300mn, with the same amount to be spent on drilling.

Financial Summary

Dragon Oil has strengthened its balance sheet further in the last 12 months with a growth of 10% in net assets to US$2.9 billion. This comprises an increase of US$492mn in total assets, offset by an increase of US$221mn in total liabilities. The Group has no debt and is able to finance its operations internally with net cash generated from its operations in Turkmenistan.

A marginal increase in revenue to US$1,155mn and an 8% decrease in operating profit to US$791mn are attributed to a marginal increase in volumes of crude oil sales offset by higher cost of sales. Earnings per share were 5% lower and net cash from operations was 1% higher over 2011.

Key financial data

US$mn (unless stated)	2012	2011	Change
Revenue	1,155.1	1,150.5	0.4%
Cost of Sales	(329.2)	(266.5)	(24%)
Gross Profit	826.0	884.0	(7%)
Operating profit	790.9	856.2	(8%)
Profit for the year	600.0	648.4	(7%)
Earnings per share, basic (US cents)	119.5	126.0	(5%)
Earnings per share, diluted (US cents)	119.3	125.6	(5%)
Net assets	2,859.3	2,588.5	10%
Net cash from operating activities	1,025.6	1,015.8	1%
Net cash used in investing activities	(501.9)	(914.4)	(45%)
Debt	Nil	Nil	Nil

Income Statement

Revenue

Gross production levels in 2012 averaged about 67,600 bopd (2011: about 61,500 bopd) on a working interest basis.

Revenue for the year was US$1,155mn compared with US$1,151mn in 2011. A marginal increase of 0.4% over the previous year is primarily attributable to a 2% increase in the volume of crude oil sold over the previous year offset by a 1% decrease in the average realised crude oil price. The average realised crude oil price during the year was approximately US$100 per barrel (2011: US$101 per barrel) and was at an 11% (2011: 9%) discount to Brent during the year. The increase in the volumes of crude oil sold was lower than the production growth mainly due to lower entitlement in 2012 compared to 2011. The lower proportion of entitlement barrels in 2012 is primarily due to the operation of the fiscal terms of the PSA.

Operating profit

Gross profit is measured on an entitlement basis. The entitlement production was approximately 48% (2011: 53%) of the gross production in 2012. Entitlement barrels are finalised in arrears and are dependent on, amongst other factors, operating and development expenditure in the period and the realised crude oil price.

At the year-end, the Group was in an overlift position of approximately 0.1 mn barrels that is recognised and measured at market value (31 December 2011: underlift position of 0.05 mn barrels).

The Group generated an operating profit of US$791mn (2011: US$856mn), 8% lower than in the previous year.

The decrease in operating profit of US$65mn was primarily on account of higher cost of sales. The Group’s cost of sales was US$329mn in 2012 compared to US$267mn in 2011, an increase of about 24%. Cost of sales includes operating and production costs and the depletion charge. The increase is primarily due to movement in the lifting position, higher field operating costs and increased depletion charge during the year.

The PSA includes provisions such that parties to the agreement may not lift their respective crude oil entitlements in full, and as such, underlifts or overlifts of crude oil may occur at period-ends.

The increase in operating and production costs was primarily attributable to the changes in lifting positions of US$31mn and increased costs of US$26mn due to a higher level of field operations. The depletion and depreciation charge during the year was higher by about 3% at US$212mn (2011: US$205mn) primarily due to adoption of the US$85/barrel as the estimated long-term the oil price, offset by reserves replacement during the year.

Administrative expenses (net of other income) were higher at US$35mn (2011: US$28mn) primarily due to an increase in head office costs during 2012 on account of higher corporate activity.

Profit for the year

Profit for the year was US$600mn (2011: US$648mn), 7% lower than the previous year. The profit for the year includes finance income of US$18mn (2011: US$16mn) and a taxation charge of US$209mn (2011: US$223mn). Finance income increased in 2012 primarily due to higher cash and cash equivalents and term deposits maintained during the year and despite marginally lower interest yields.

During 2008, the effective tax rate applicable to the Group’s operations in Turkmenistan was increased to 25% by the Hydrocarbon Resources Law of 2008. The Group has continued to apply this rate in determining its tax liabilities as at 31 December 2012. The Group is in discussions with the authorities in Turkmenistan about the applicability of this rate to periods prior to 2008, but it does not believe that these prior periods are affected by the new rate. A provision has been made in respect of the additional tax that could become payable if the increased tax rate were applied to prior periods based on the expected value (weighted average probability) approach.

Basic Earnings per share of 119 US cents for the year were 5% lower than the previous year (2011: 126 US cents).

Balance Sheet

Investments in property, plant and equipment increased by an amount of US$170mn primarily due to capital expenditure of US$382mn (2011: US$351mn) incurred on oil and gas interests offset mainly by the depletion and depreciation charge during the year. The expenditure during the year was on drilling and infrastructure projects in Turkmenistan. Of the total capital expenditure on oil and gas interests for 2012, 58% was attributable to infrastructure (2011: 47%) with the balance spent on drilling. The infrastructure spend during the year included construction of the Dzheitune (Lam) C, Dzhygalybeg (Zhdanov) A and B platforms, Dzhygalybeg (Zhdanov) Block-4 gathering platform, infield pipelines as well as the geophysical and geotechnical surveys to evaluate locations for future platforms.

Current Assets and Liabilities

Current assets rose by US$316mn primarily due to an increase of US$148mn in term deposits, US$191mn in cash and cash equivalents, US$5mn in inventories partly offset by a decrease of US$28mn in trade receivables. The cash and cash equivalents and term deposits at the year-end were US$2,144mn (2011: US$1,806mn), including US$407mn (2011: US$279mn) held for abandonment and decommissioning activities. Amounts of US$1,866mn (2011: US$1,718mn) are held in term deposits with original maturities greater than three months.

Current liabilities rose by US$194mn due to increases of US$129mn in the abandonment and decommissioning liability set aside to meet future obligations under the PSA based on increased production, US$14mn in overlift creditors, US$31mn towards the current tax liability and US$20mn in trade and other payables.

Cash flows

Net cash generated from operations during the year increased by US$10mn to US$1,026mn (2011: US$1,016mn). The increase was primarily attributable to the change in the working capital position offset mainly by higher tax paid.

Cash used in investing activities was US$502mn (2011: US$914mn), comprising capital expenditure of US$367mn (2011: US$407mn), placement of term deposits of US$148mn (2011: US$523mn) and addition to intangible assets of US$5mn (2011: nil), offset by interest received on cash and cash equivalents and term deposits of US$18mn (2011: US$16mn). Cash used in financing activities was US$333mn (2011: US$155mn) mainly on account of payment of dividends of US$131mn (2011: US$118mn) and execution of the share buy-back programme of about US$200mn (2011: US$38mn).

Dividends

The Board of Directors of Dragon Oil recommends the payment of a final dividend of 15 US cents per share. Together with the interim dividend of 15 US cents, the total dividend for the year ended 31 December 2012 is 30 US cents. The final dividend of 15 US cents is subject to shareholder approval at the Annual General Meeting to be held in London, UK on 30 April 2013. If approved, the final dividend of 15 US cents is expected to be paid on 3 May 2013 to shareholders on the register as of 5 April 2013.

The dividend is declared in US dollars, the Group's functional currency. The exchange rate for the pound sterling or euro amounts payable will be determined by reference to the exchange rates applicable to the US dollar on the closest practicable date to the dividend payment date. The new shareholders, who bought Dragon Oil shares in the last 12 months, will receive instructions regarding currency elections, dividend withholding tax ("DWT") and bank mandate forms in the post. These forms are also available on the Group's corporate website, www.dragonoil.com.

The closing date for receipt of currency elections is 5 April 2013. By default shareholders (other than shareholders holding their shares within CREST) with registered addresses in the UK will be paid their dividends in pounds sterling. Those with registered addresses in European countries, which have adopted the euro, will be paid in euro. Shareholders with registered addresses in all other countries will be paid in US dollars. Shareholders may, however, elect to be paid their dividends in a currency other than their default currency, and will have a choice of US dollars, euro or pounds sterling provided such election is received by our registrars by the record date for the dividend. As the above arrangements can be inflexible for institutional shareholders, where shares are held in CREST, dividends are automatically paid in US dollars unless a currency election has been made. CREST members should use the facility in CREST to make currency elections. Currency elections must be made in respect of entire holdings and partial elections are not permitted.

Dividends can be paid directly into a UK bank account to shareholders who elect for their dividend to be paid in pounds sterling and to an Irish bank account where shareholders elect to receive their dividend in euro. A dividend reinvestment plan is not available under the Company's dividend policy.

Irish DWT must be deducted from all dividends paid by an Irish resident company, unless a shareholder is entitled to an exemption and has submitted a properly completed exemption form to the Company's Registrar, (by post) Capita Registrars, PO Box 7117, Dublin 2, Ireland (or by hand) Capita Registrars, 2 Grand Canal Square, Dublin 2, Ireland, by the dividend record date. DWT is deducted at the standard rate of Income Tax (currently 20%). Non-resident shareholders and certain Irish companies, trusts, pension schemes, investment undertakings and charities may be entitled to claim exemption from DWT. Copies of forms applicable to all exemption types may be obtained online from Irish Revenue (www.revenue.ie/en/tax/dwt/forms/index.html).

Individuals who are resident in Ireland for tax purposes are not generally entitled to an exemption from Irish DWT.

Group balance sheet
As at 31 December

	2012 US$'000	2011 US$'000
ASSETS		
Non-current assets		
Property, plant and equipment	1,524,157	1,353,978
Intangible asset	5,466	-
	1,529,623	1,353,978
Current assets		
Inventories	12,387	6,988
Trade and other receivables	156,858	184,581
Term deposits	1,866,228	1,718,271
Cash and cash equivalents	277,997	87,499
	2,313,470	1,997,339
Total assets	3,843,093	3,351,317
EQUITY		
Capital and reserves attributable to the Company's equity shareholders		
Share capital	77,474	80,169
Share premium	233,889	231,635
Capital redemption reserve	80,644	77,825
Other reserve	8,022	5,489
Retained earnings	2,459,287	2,193,427
Total equity	2,859,316	2,588,545
LIABILITIES		
Non-current liabilities		
Trade and other payables	1,290	623
Deferred income tax liabilities	141,789	115,815
	143,079	116,438
Current liabilities		
Trade and other payables	566,070	402,981
Current income tax liabilities	274,628	243,353
	840,698	646,334
Total liabilities	983,777	762,772
Total equity and liabilities	3,843,093	3,351,317

Group income statement
Year ended 31 December

	2012 US$'000	2011 US$'000
Revenue	1,155,143	1,150,513
Cost of sales	(329,168)	(266,539)
Gross profit	825,975	883,974
Administrative expenses	(35,474)	(28,010)
Other income	407	241
Operating profit	790,908	856,205
Finance income	18,279	15,533
Profit before income tax	809,187	871,738
Income tax expense	(209,141)	(223,322)
Profit attributable to equity holders of the Company	600,046	648,416
Earnings per share attributable to equity holders of the Company		
Basic	119.49c	125.95c
Diluted	119.26c	125.61c

Group statement of comprehensive income
Year ended 31 December

	2012 US$'000	2011 US$'000
Profit attributable to equity holders of the Company	600,046	648,416
Total comprehensive income for the year	600,046	648,416

Group cash flow statement
Year ended 31 December

	2012 US$'000	2011 US$'000
Cash generated from operating activities	1,177,481	1,105,273
Income tax paid	(151,892)	(89,459)
Net cash generated from operating activities	1,025,589	1,015,814
Cash flows from investing activities		
Additions to property, plant and equipment	(366,749)	(406,782)
Additions to intangible assets	(5,466)	-
Interest received on bank deposits	18,279	15,533
Amounts placed on term deposits (with original maturities greater than three months)	(147,957)	(523,123)
Net cash used in investing activities	(501,893)	(914,372)
Cash flows from financing activities		
Proceeds from issue of share capital	2,378	1,409
Dividends paid	(130,618)	(118,684)
Shares repurchased	(204,136)	(38,125)
Employee share purchase plan contribution	(822)	-
Net cash used in financing activities	(333,198)	(155,400)
Net increase / (decrease) in cash and cash equivalents	190,498	(53,958)
Cash and cash equivalents at beginning of year	87,499	141,457
Cash and cash equivalents at end of year	277,997	87,499

Group statement of changes in equity

	Share capital US$'000	Share premium US$'000	Capital redemption reserve US$'000	Other reserve US$'000	Retained earnings US$'000	Total US$'000
At 1 January 2012	80,169	231,635	77,825	5,489	2,193,427	2,588,545
Total comprehensive income for the year	-	-	-	-	600,046	600,046
Shares issued during the year	124	2,254	-	-	-	2,378
Employee share option scheme:						
- value of services provided	-	-	-	3,923	-	3,923
Transfer on exercise of share options	-	-	-	(1,390)	1,390	-
Dividends	-	-	-	-	(130,618)	(130,618)
Shares repurchased and cancelled	(2,819)	-	2,819	-	(204,136)	(204,136)
Employee share purchase plan contribution	-	-	-	-	(822)	(822)
Total transactions with owners	(2,695)	2,254	2,819	2,533	(334,186)	(329,275)
At 31 December 2012	77,474	233,889	80,644	8,022	2,459,287	2,859,316
At 1 January 2011	80,774	230,296	77,150	4,074	1,700,652	2,092,946
Total comprehensive income for the year	-	-	-	-	648,416	648,416
Shares issued during the year	70	1,339	-	-	-	1,409
Employee share option scheme:						
- value of services provided	-	-	-	2,583	-	2,583
Transfer on exercise of share options	-	-	-	(1,168)	1,168	-
Dividends	-	-	-	-	(118,684)	(118,684)
Shares repurchased and cancelled	(675)	-	675	-	(38,125)	(38,125)
Total transactions with owners	(605)	1,339	675	1,415	(155,641)	(152,817)
At 31 December 2011	80,169	231,635	77,825	5,489	2,193,427	2,588,545

1 General information

Dragon Oil plc ("the Company") and its subsidiaries (together "the Group") are engaged in upstream oil and gas exploration, development and production activities primarily in Turkmenistan under a Production Sharing Agreement ("PSA") signed between Dragon Oil (Turkmenistan) Limited and The State Agency for Management and Use of Hydrocarbon Resources at the President of Turkmenistan ("the Agency"). The production of crude oil is shared between the Group and the Government of Turkmenistan as determined in accordance with the fiscal terms as contained in the PSA.

The Company is incorporated and domiciled in Ireland. The Group headquarters is based in Dubai, United Arab Emirates ("UAE").

The Company's ordinary shares have a primary listing on the Irish Stock Exchange and a premium listing on the London Stock Exchange.

These abridged financial statements have been approved for issue by the Board of Directors on 11 February 2013.

2 Basis of preparation

In accordance with EU Regulations, the Group is required to present its annual consolidated financial statements for the year ended 31 December 2012 in accordance with EU adopted International Financial Reporting Standards ("IFRS"), which comprise standards and interpretations approved by the International Accounting Standards Board ("IASB") and those parts of the Irish Companies Act, 1963 to 2012 applicable to companies reporting under IFRS and Article 4 of the International Accounting Standards ("IAS") Regulation.

This financial information has been extracted from the consolidated financial statements for the year ended 31 December 2012 approved by the Board of Directors on 11 February 2013. The financial information comprises the Group balance sheets as of 31 December 2012 and 31 December 2011 and related Group income statement, Group statement of comprehensive income, Group cash flow statement, Group statement of changes in equity and selected notes for the twelve months then ended, of Dragon Oil plc. This financial information has been prepared under the historical cost convention except for the measurement at fair value of share options and underlift receivables/overlift payables.

The preliminary results for the year ended 31 December 2012 have been prepared in accordance with the Listing Rules of the Irish Stock Exchange.

The preparation of financial information in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Group financial information are disclosed in Note 4.

3 Accounting policies

The accounting policies used are consistent with those set out in the audited financial statements for the year ended 31 December 2011, except for the policy on crude oil underlifts and overlifts where the movement in crude oil underlifts and overlifts in the current year has been adjusted through cost of sales, such that the gross profit is recognised on an entitlement basis. In the prior year, the movement of underlifts and overlifts was adjusted in revenue or cost of sales respectively. Comparative information has not been restated on the grounds of materiality, where the underlift movement in the amount of US$4.4 million was adjusted through the revenue. The audited financial statements for the year ended 31 December 2011 are available on the Company's website, www.dragonoil.com and the following amendments to IFRS are effective as of 1 January 2012.

- IAS 12 Income Taxes (Amendment) – Deferred Taxes: Recovery of Underlying Assets;

- IFRS 1 First-Time Adoption of International Financial Reporting Standards (Amendment) – Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters; and
- IFRS 7 Financial Instruments: Disclosures – Enhanced Derecognition Disclosure Requirements.

The application of these standards and interpretations did not result in material changes to the financial statements.

4 Critical accounting judgements and estimation uncertainties

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities as well as contingent assets and liabilities at the date of the balance sheet, and the reported amounts of revenues and expenses during a reporting period. The resulting accounting estimates will, by definition, seldom equal the related actual results.

The critical accounting judgements and estimates used in the preparation of financial statements that could result in material adjustments to the income statement and the carrying amounts of assets and liabilities are discussed below:

(a) Carrying value of development and production assets

In arriving at the carrying value of the Group's development and production assets, significant assumptions in respect of the depletion charge have been made. These significant assumptions include estimates of oil and gas reserves, future oil and gas prices, finalisation of the gas sales agreement and future development costs including the cost of drilling, infrastructure facilities and other capital and operating costs.

The Group revised its estimated long-term view of oil prices from US$75 per barrel to US$80 per barrel from 1 January 2012 and from US$80 per barrel to US$85 per barrel from 1 August 2012. The effect of an upward revision in the estimated long-term oil price is to lower the level of reserves attributable to the Group and to increase the depletion charge per barrel.

The Group's estimated long-term view of netback prices for gas is US$3.5 per Mscf, based on the current outlook.

> If the estimate of the long-term oil price had been US$20 per barrel higher and the netback price of gas had been US$2 per Mscf higher at US$5.50 from 1 January 2012, the reserves attributable to the Group would decrease, with a consequent increase in the depletion charge of US$11.2 million for the year.
>
> If the estimate of the long-term oil price had been US$20 per barrel lower and the netback price of gas had been US$2 per Mscf lower at US$1.50 from 1 January 2012, the reserves attributable to the Group would increase, with a consequent decrease in the depletion charge of US$22.2 million for the year.

If the gas sales were delayed to 2017, the depletion charge would increase by US$5.7 million.

The depletion computation assumes the continued development of the field to extract the assessed oil and gas reserves and the required underlying capital expenditure to achieve the same. For this purpose, it assumes that a gas sales agreement will be signed and that the PSA, which is valid up to 2025, will be extended on similar terms up to 2035 under an exclusive right to negotiate for an extension period of not less than ten years, provided for in the PSA.

(b) Exploration and Evaluation assets

The application of the Group's accounting policy for exploration and evaluation expenditure requires judgement to determine whether it is likely that future economic benefits will arise, from either exploitation or sale, or whether activities have not reached a stage which permits a reasonable assessment of the existence of reserves.

5 Segment information

The Group is managed as a single business unit and the financial performance is reported in the internal reporting provided to the Chief Operating Decision-maker ("CODM"). The Board of Directors ("BOD"), who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the CODM that makes strategic decisions.

The financial information reviewed by the CODM is based on the IFRS financial information for the Group.

6 Dividend distribution

At a meeting held on 10 February 2013, the board of directors of the Company have proposed a final dividend of USc15 per share (2011: USc11 per share) be paid to the shareholders in respect of the full year 2012. The total dividend to be paid is US$73.4 million (2011: US$56.2 million). In accordance with company law and IFRS, this dividend has not been provided for in the balance sheet at 31 December 2012. The proposed final dividend is subject to approval by shareholders at the Annual General Meeting.

7 Earnings per share

	2012 US$'000	2011 US$'000
Profit attributable to equity holders of the Company	600,046	648,416
	Number '000	Number '000
Weighted average number of shares:		
Basic	502,181	514,815
Assumed conversion of potential dilutive share options	1,008	1,388
Diluted	503,189	516,203
Earnings per share attributable to equity holders of the Company:		
Basic	119.49c	125.95c
Diluted	119.26c	125.61c

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all potential dilutive options over ordinary shares.

8 Cash generated from operating activities

	2012 US$'000	2011 US$'000
Profit before income tax	809,187	871,738
Adjustments for:		
- Depletion and depreciation	211,634	205,419
- Crude oil underlifts	4,445	(4,445)
- Crude oil overlifts	13,917	(12,680)
- Employee share options – value of services provided	3,923	2,583
- Interest on bank deposits	(18,279)	(15,533)
Operating cash flow before changes in working capital	1,024,827	1,047,082
Changes in working capital:		
- Inventories	(5,399)	7,977
- Trade and other receivables	23,278	(81,863)
- Trade and other payables	134,775	132,077
Cash generated from operating activities	1,177,481	1,105,273

9 Statutory Accounts

This financial information is not the statutory accounts of the Company and the Group, a copy of which is required to be annexed to the Company's annual return to the Companies Registration Office in Ireland. A copy of the statutory accounts in respect of the year ended 31 December 2012, upon which the Auditors have given an unqualified audit opinion, will be annexed to the Company's annual return for 2012. Consistent with prior years, the full financial statements for the year ended 31 December 2012 and the audit report thereon will be circulated to shareholders at least 20 working days before the AGM. A copy of the statutory accounts, containing an unqualified audit report, required to be annexed to the Company's annual return in respect of the year ended 31 December 2011 has been annexed to the Company's annual return for 2011 to the Companies Registration Office.

10 Further information is available on the Company's website, www.dragonoil.com.