

18 February 2014

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

2013 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 2013. These results are prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

KEY FINANCIAL HIGHLIGHTS

(US\$ mn, unless stated)	2013	2012	Change
Revenue	1,047.9	1,155.1	(9%)
Operating profit	687.7	790.9	(13%)
Profit for the year	512.6	600.0	(15%)
Basic EPS (US cents)	104.4	119.5	(13%)
Full-year dividend per share (US cents)	33.0	30.0	10%
Cash and cash equivalents and term deposits*	2,472.5	2,144.2	15%
Debt	Nil	Nil	Nil

*includes US\$549mn (2012: US\$407.7mn) of abandonment and decommissioning deposits.

KEY OPERATIONAL AND CORPORATE HIGHLIGHTS

Drilling

- Ten wells completed during 2013, including one sidetrack;
- Average gross daily production increased by 9.1% to 73,750 bopd;
- A new jack-up rig and a platform-based rig arrived to the Cheleken Contract Area increasing the current drilling fleet to four rigs;
- Drilling in the Dzhygalybeg (Zhdanov) field is to commence shortly;
- Water injection pilot is ongoing in the Dzheitune (Lam) 75 area showing positive indications of increased pressure in offset wells; and
- Artificial lift applied to two wells with encouraging results.

Corporate and Commercial Developments

- Marketing arrangements renegotiated in January 2014 with the amended contract in place until 31 December 2014 and realised oil prices are expected to be in the range of a 14%-17% discount to Brent in 2014;
- 93% organic reserves replacement of 2P oil and condensate reserves;
- Contract to build the Gas Treatment Plant is being tendered;
- Sidetrack-2 of the Hammamet West-3 well in Tunisia planned;
- Drilling in Block 9 in Iraq is to commence in 1H 2014;
- Formal contract for two exploration blocks in Afghanistan signed;
- Our offer for Block 19 in Egypt initially accepted;
- Farm-in agreement for an offshore exploration block in the Philippines signed in January 2014; and
- Nigel McCue resigned from the Board in March 2013; Justin Crowley joined the Board in September 2013.

Financial Developments

- The Board recommends the payment of a final dividend of 18 US cents per share for 2013; the full-year dividend for 2013 amounts to 33 US cents (2012: 30 US cents); and
- Cash generating capabilities remained strong: US\$0.8bn was generated from operations during 2013.

Outlook for 2014-16

- Expect to complete between 14 and 16 wells, including one sidetrack, in 2014 and around 20 wells in 2015;
- Target annual production growth at the lower end of 10% to 15% in 2014 and between 10% and 15% in 2015-16;
- Achieve the 100,000 bopd production target in 2015 and maintain the average daily gross production of 100,000 bopd as plateau from 2016 for at least five years;
- US\$1.5 billion estimated capital expenditure for infrastructure, drilling and exploration assets in 2014-16;
- Execute current projects, including additional oil storage facilities and relocation of Dzhygalybeg (Zhdanov) B platform to the Dzheitune (Lam) field;
- Expect to award contracts for a number of platforms to be constructed in the Cheleken Contract Area, for expanded processing facilities and additional 30-inch trunkline;
- Expect to commence work in operated assets – Afghanistan's Sanduqli block and Egypt;
- Expect to work with partners on non-operated assets – Tunisia, Afghanistan's Mazar-i-Sharif block, Iraq and the Philippines; and
- Actively pursue the diversification strategy to add more exploration and development assets to the portfolio.

Dr Abdul Jaleel Al Khalifa, CEO, commented:

"Today we are reporting solid financial and operational results despite difficulties experienced during the year. Revenues albeit down year-on-year by 9% as a result of lower realised oil prices were still above US\$1bn. Our cash generating capabilities remain strong with US\$0.8bn generated during the year.

"The strength of our balance sheet gives us confidence in achieving our diversification targets. In 2013 and early 2014, we added exploration blocks in Egypt and the Philippines, while we continue to search for the right fit value-creative development asset. We made progress in Iraq and Afghanistan. Difficulties encountered while testing the production flow from the offshore well in Tunisia were a disappointment, but an option to drill a sidetrack to test the formation remains attractive in our view.

"Delays in the arrival of rigs constrained our ability to grow average gross production at a higher rate; nevertheless, the 9.1% growth achieved is a solid result and we are particularly pleased with encouraging results from the artificial lift application and management of production from existing wells. We were also positively encouraged by a good initial response from the water injection pilot. While this programme will take another two to three years to see the full impact on the production flow of the offset wells, the results to-date are such that they have allowed us to book additional 2P reserves.

"2013 saw completion and inauguration of the state-of-the-art polyclinic in Hazar, Turkmenistan. We are proud of this project, which is already contributing to an improvement of the living standards by supplementing medical services provided to the local community, our employees and their families.

"We continue our journey to achieve the 100,000 bopd production target in 2015, which will be maintained as a plateau from 2016. With the mobilisation of rigs, drilling will pick up considerably in the months ahead to enable us to reach this target; at the same time we are embarking on a number of large projects – the new 30-inch trunkline, tank farm, Gas Treatment Plant – having prepared the ground for significant infrastructure expenditure in the medium term."

Glossary/Definitions/Abbreviations

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
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

Webcast and conference call details:

Dragon Oil will webcast the presentation of its results with a simultaneous conference call today at 9.00am. For details of the analyst call, please contact Shabnam Bashir at Citigate Dewe Rogerson on +44 (0)20 7282 2822 or at shabnam.bashir@citigatedr.co.uk for further details.

The webcast can be accessed at <http://view-w.tv/p/879-1154-13886/en>; the details are also 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 25 February 2014.

Replay numbers:

UK	+44 (0)20 3427 0598
Ireland	+353 (0)1 486 0902
USA	+1 347 366 9565
Replay passcode	5529162

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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 and gas producing fields, Dzheitune (Lam) and Dzhygalybeg (Zhdanov).

The Group has exploration blocks in Tunisia, Iraq, Afghanistan, Egypt and the Philippines. Dragon Oil's diversification strategy is to add exploration and production assets within Africa, parts of Asia and the Middle East in order to create a diversified and balanced portfolio of assets for the Group.

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
2013 Full-Year Results

OVERVIEW BY THE CHIEF EXECUTIVE OFFICER

ROBUST FINANCIAL PERFORMANCE

Compared to 2012, revenues in 2013 were down by 9% mainly on the back of lower realised oil prices, but nevertheless remained above US\$1bn for a third year in a row due to gross production growth of 9.1%. Profits were lower by 15% primarily on account of higher provisional discount and lower crude oil prices; however, we maintained strong cash generating capabilities with US\$0.8bn generated in 2013.

We have continued to grow dividends with a modest 20% increase in the final dividend to 18 US cents compared with the 15 US cents 2012 final dividend. This brings the total dividend for the year to 33 US cents. The Board continues to consider and strike the right balance of capital investment requirements for the Cheleken Contract Area, investment needs for our exploration assets, return of value to shareholders and opportunities to acquire more exploration and development assets.

SOLID OPERATIONAL RESULTS

Achievements in 2013 to grow gross production comprised drilling 10 wells, including one sidetrack, successfully using jet pumps in two wells and maintaining production from the existing wells. All these efforts by the team produced solid results: gross production growth by 9.1%. Had it not been for the delays in the arrival of the rigs in the second half of the year, our growth would have been higher.

During 2013, we signed a contract to secure the use of two new build jack-up rigs, Neptune and then Mercury, for a period of three years. The end of 2013 saw the arrival of the Neptune drilling rig and Land Rig 2; they are both currently being prepared for drilling in the Dzhygalybeg (Zhdanov) field. Continued delays in the arrival of the Caspian Driller have been the biggest disappointment during the past two years forcing us to review and adjust our drilling plans. Nonetheless, we remain confident in reaching the 100,000 bopd target during 2015 and maintaining it as a plateau from 2016.

Organic growth in oil and condensate 2P reserves continued last year; reserves replacement of 93% was achieved against the 2013 gross production. The increase comes from booking additional reserves attributed to artificial lift application using jet pumps and water injection programmes.

We have set the stage for significant infrastructure investment in the next two to three years having awarded or being close to awarding a number of large projects, among them are a tank farm, new 30-inch trunkline and the Gas Treatment Plant. While the tendering processes continue to award contracts for the construction and installation of new wellhead and production platforms, we are also performing platform strengthening and extensions – and a few projects are planned for 2014, which will be handled by an in-house team – in order to reach targets from existing platforms and accelerate production from these areas.

We continue monitoring alternative marketing routes to ensure access of our share of the crude oil production to international markets in the medium term.

DIVERSIFICATION

We are pleased with further progress made on executing our diversification strategy. Our offer for offshore Block 19 in Egypt has been initially accepted and, in January 2014, we farmed into an offshore block in the Philippines. The drilling of an exploration well in Iraq is to commence in 1H 2014. We have done some initial work in Afghanistan to perform environmental assessment and hire contractors to do seismic acquisition for two blocks there. The results of drilling and testing offshore Tunisia were disappointing because testing could not be completed due to continuous blockages and obstructions caused by lost circulation material. The well is currently suspended and a sidetrack is planned to test the formation.

At the same time we continue our search for the right-fit development and exploration assets in the regions of interest, namely Africa, the Middle East and parts of Asia.

OPERATING AND FINANCIAL REVIEW

Turkmenistan

Production

The average gross field production for 2013 reached approximately 73,750 bopd (2012: 67,600 bopd). We achieved a 9.1% average gross production growth on the back of 10 wells completed in the Dzheitune (Lam) area, including one sidetrack, solid performance from the existing wells and encouraging results from the application of the artificial lift techniques.

The entitlement production for 2013 was approximately 44% (2012: 48%) 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 2013 is primarily due to the lower capital expenditure as a result of delays in awarding large infrastructure projects and employing only two drilling rigs during 2013, partially offset by the lower realised oil price.

Marketing

In January 2013, the Group reached a two-year agreement that secured a reliable export route for all its anticipated entitlement production FOB (free-on-board) the Aladja Jetty, through Baku, Azerbaijan. Marketing agreements were renegotiated in January 2014 to secure a relatively better discount resulting from a closer correlation of realised oil prices with monthly average Brent prices. The discount is expected to be in the range of a 14%-17% discount to Brent in 2014.

The current arrangement is due to end in 2014 and examining future options is an important priority for 2014. Options range from the renewal of existing arrangements to the development of alternatives via Kazakhstan or through Makhachkala in Russia.

11.5 mn barrels (2012: 11.6 mn barrels) of crude oil were sold in 2013. The volumes sold were marginally lower than the previous year's level mainly due to lower entitlement offset by higher production.

In 2013, Dragon Oil exported 100% (2012: 100%) of its crude oil production through Baku, Azerbaijan.

The Group was in an overlift position of approximately 0.1 mn barrels of crude oil at the end of 2013 (31 December 2012: overlift position of 0.1 mn barrels of crude oil).

Drilling

During 2013, Dragon Oil completed a 10-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)
28/178	February	2,010	Single	1,653
28/179	March	1,885	Single	1,975
28/182	April	1,986	Single	1,876
21/180	June	Suspended due to high gas pressure		
21/181	June	3,475	Dual	960
28/151A	June	2,000	Single sidetrack	869
C/183	August	2,758	Dual	1,420
C/184	September	2,900	Single	110
C/185	November	2,905	Dual	3,727
C/186	December	2,833	Dual	2,933

The initial flow rates from the completed wells vary depending on the depth of completions, maturity of the area and type of completion (a dual or single completion or a sidetrack). The results from the Dzheitune (Lam) 28 single completions were solid and above our expectations, while the single sidetrack came in line with predictions. The Dzheitune (Lam) 21 platform is in a mature area, this fact had predominantly determined lower than desired results.

The results from the Dzheitune (Lam) C platform were mixed with two wells below expectations and two wells strongly above our expectations. The Dzheitune (Lam) C/184 well was drilled between the Dzheitune (Lam) C and B platforms; the location was selected on the basis of seismic data as well as production performance of a neighbouring well. The aim was to delineate this area. The well encountered water in an upper section and will, therefore, be side-tracked in the future. This result does not affect our current development plans for the area nor recoverable reserves attributed to the area. In the future, we expect a variability of initial flow rates from new development wells and will factor this variability into our drilling programmes and production guidance.

Two drilling rigs (the jack-up rig Elima and Land Rig 1) operated for Dragon Oil in 2013; each underwent scheduled maintenance during the year.

We are currently employing two jack-up and two platform-based rigs and expect the arrival of the Caspian Driller in mid-2014 and Land Rig 3 in 4Q 2014.

The jack-up rig Elima has been mobilised to the Dzheitune (Lam) B platform and is currently side-tracking the Dzheitune (Lam) B/155 well. This jack-up rig is secured until May 2015.

The second jack-up rig, Neptune, arrived in December 2013 and is being prepared to spud the Dzhygalybeg (Zhdanov) 21/101 development well. The Neptune rig is available for nine months and will then be released. In its place, we expect to take delivery of the Mercury jack-up drilling rig, which is scheduled to arrive into the Caspian Sea in 4Q 2014 and will be available for the remainder of the three-year contract term.

The Caspian Driller jack-up rig is expected to arrive into the Cheleken Contract Area in mid-2014. Upon delivery, the lease and management contract is expected to commence for an initial duration of five years, with an option to extend it for a further period of up to two years.

Land Rig 1 is currently being prepared to spud a well on the Dzheitune (Lam) 22 platform. Land Rig 1 is due to complete three wells in total before it is released.

The platform-based rig ("Land Rig 2") contracted for drilling on the Dzhygalybeg (Zhdanov) A platform arrived in 4Q 2013 and is secured for two years with an option to extend the contract for another year. It is expected to be used on the Dzhygalybeg (Zhdanov) A platform until it completes eight slots allocated for drilling with a land rig. Land Rig 2 is currently being prepared to spud the Dzhygalybeg (Zhdanov) A/102 well.

The delivery of the other contracted platform-based rig ("Land Rig 3") is expected in 4Q 2014. It will be employed on the new land rig platform, which will be installed in the Dzheitune (Lam) field. It is secured for two years with an option to extend the contract for another year.

Water injection project and artificial lift

The water injection pilot project commenced in June 2013 and we have seen a positive response in the offset wells in the pilot Dzheitune (Lam) 75 area. We are currently injecting at a rate of 3,500 to 4,000 barrels of water per day into the injector well. This has been resulting in an average increase of around 100-150 psi (to be verified through an additional survey) in the offset wells. The reservoir pressure in the pilot area is showing a sustained rising trend, which is encouraging. Meanwhile, water injectivity tests are also underway at one more platform.

Having seen positive response so far from the pilot programme, Dragon Oil plans to expand water injection operations to two platforms in 2014. Results of the pilot project and a new dynamic model will be used to assess feasibility of further extensions of the waterflood project. The aim of the water injection programme is to maintain pressure, sustain production rates and increase reserves recovery.

We started introducing artificial lift in the form of jet pumps in June 2013. Having installed jet pumps in two wells on the Dzheitune (Lam) 13 platform: 13/118 and 13/168, we have seen a production increase in the range of 500-700 bopd per well. The impact from jet pumps application has, thus far, been encouraging and we plan to expand jet pumps operations to up to 14 more wells during 2014. The objective of jet pumps application is to increase production and enhance recovery.

Infrastructure

The Dzhygalybeg (Zhdanov) A platform was constructed and installed in 2013; final preparations are taking place to enable the spudding of the Dzhygalybeg (Zhdanov) A/102 later in 1Q 2014.

The Dzhygalybeg (Zhdanov) B platform is being relocated to the Dzheitune (Lam) field. The original plan was to drill and test potential from the Dzhygalybeg (Zhdanov) A platform before installing a second platform, the Dzhygalybeg (Zhdanov) B, in the field. Due to delays with the delivery of the Dzhygalybeg (Zhdanov) A platform, the two platforms are ready at the same time. It has therefore been decided to relocate the Dzhygalybeg (Zhdanov) B platform to the Dzheitune (Lam) field, to accelerate production from known areas in that field. The modification work and subsequent installation are expected to be completed in 4Q 2014.

Structural strengthening is planned for a few platforms in the Dzheitune (Lam) field, which would allow us to add a number of new slots for drilling from these platforms. The Dzheitune (Lam) C, 4, 28 and B platforms are to be strengthened within the existing structures during 2014.

Tendering for the construction and installation of a number of additional platforms in the Dzheitune (Lam) and Dzhygalybeg (Zhdanov) fields is ongoing with a number of awards expected to happen in 2014.

The contract for an engineering, procurement, installation and construction project to quadruple our crude oil storage capacity at the Central Processing Facility was awarded in September 2013 to an international construction contractor. The tank farm is anticipated to be completed in 4Q 2015 with three tanks built and commissioned on a priority basis.

The tendering process to select a contractor to build another 30-inch trunkline from the Dzheitune (Lam) field to the Central Processing Facility is ongoing. The award of the contract is expected in 1H 2014 with construction expected to take two and a half years. The purpose of the additional trunkline will be to transport oil and gas onshore to accommodate production growth and in anticipation of the completion of the Gas Treatment Plant in 2016 to strip condensate. Partial replacement of one of the two existing 12-inch pipelines has been completed and work on the partial replacement of the second pipeline is expected to be completed in 2Q 2014.

The Group plans to increase the processing capacity of the Central Processing Facility to accommodate the production growth over the coming years. Work on procuring required equipment to enable us to handle increasing volumes of production is ongoing with installation of this equipment due to take place in 2H 2014.

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 three non-producing old wells, bringing the total of old non-producing plugged and abandoned wells to five. The execution of this strategy is part of the abandonment and decommissioning activities the Group plans to undertake under the PSA. Up to nine non-producing wells remain to be logged for evaluation before being completely plugged and abandoned in 2014. 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 2013 year-end oil and condensate 2P reserves were 675 (31 December 2012: 677) mn barrels after having allowed for the 2013 production of 27 mn barrels. Assessment of the ongoing water injection pilot and application of jet pumps have contributed towards the increase of oil and condensate 2P reserves by 25 mn barrels. The oil and condensate contingent resources of 69 mn barrels compared with 59 mn barrels as of 31 December 2012.

The gas 2P reserves are 1.4 TCF while the gas contingent resources are 1.3TCF. 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 2013		As at 31 December 2012		As at 31 December 2011	
	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 1 st May 2035	675	1.4	677	1.5	658	1.5
2C Resources						
Gross oil and condensate contingent resources	69	-	59	-	88	-
Gross gas contingent resources	-	1.3	-	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 and initial flow rates are expected to be lower than those seen in the Dzheitune (Lam) West area at around 1,000-1,500 bopd from each well.

Gas Monetisation

The tendering process for an engineering, procurement, installation and construction project for the Gas Treatment Plant is ongoing. The intention is to award a contract in 1Q 2014. We anticipate the construction phase to take two to three years after the contract is awarded.

The processing capacity of the plant is expected to be 360 mmscfd of gas, 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 drilling of the Hammamet West-3 well in the Hammamet West Oil Field in the Bargou Exploration Permit commenced in April 2013. The well plan consisted of a pilot hole followed by a horizontal section to intersect the open fractures within the Abiod formation thereby testing the flow potential of the reservoir.

High gas readings were reported at the start of the sidetrack; additional oil and gas shows were also observed over a number of intervals. Significant drilling mud losses and subsequent observations of oil and gas in the mud pointed to the presence of oil in an open porous, fracture system in the Abiod Formation target.

Initial production testing of Sidetrack-1 in September-October 2013 confirmed the presence of open hydrocarbon bearing fractures, but could not be completed due to continuous blockages and obstructions caused by lost circulation material (LCM). The Hammamet West-3 well has been temporarily suspended.

Alternative Sidetrack-2 will be drilled in the Abiod formation from the original Hammamet West-3 wellbore to intersect fractures and to test the formation. The previously employed drilling rig has been released and a new rig is expected to be secured to drill Sidetrack-2 in the near future.

Dragon Oil has contributed 75% of the cost to drill the Hammamet West-3 well, according to an agreed cost cap of US\$26.6mn (on a 100% basis). Costs in excess of the cost cap are shared among the joint venture partners pro rata to their participating interest (Dragon Oil 55%; Cooper Energy, 30% and operator; and Jacka Resources Ltd, 15%). The estimated total well cost to-date is US\$85mn of which Dragon Oil has contributed US\$52mn.

The one-year extension to the current exploration phase taking it to April 2014 has been granted. The joint venture partners are to apply for another year of extension taking the contract to 2Q 2015 during which time Sidetrack-2 could be performed. The estimated cost for Sidetrack-2 is approximately US\$35mn of which Dragon Oil will contribute on a pro rata basis.

Iraq

In January 2013, the Iraqi Ministry of Oil and the Tender Committee signed the final service contract with the consortium (Kuwait Energy 70% and operator and Dragon Oil 30%) for the exploration, development and production for Block 9 in Iraq.

The consortium has secured a drilling rig from the Iraqi Drilling Company (IDC) to spud an exploration well. The spudding is expected to take place in 1H 2014 after the secured rig is released from its current location. In parallel, the consortium has selected a provider for Environmental Impact Assessment, Environment Base Line Survey and contractors to perform de-mining activities. 3D seismic acquisition is expected to take place after de-mining works have been performed in 2014.

The work commitment on the block within the initial five-year exploration period will include de-mining, seismic acquisition and interpretation and drilling an exploration well.

Afghanistan

In October 2013, Dragon Oil announced the formal signing by the Ministry of Mines and Petroleum of Afghanistan of the exploration and production sharing contracts for two blocks, Sanduqli and Mazar-i-Sharif.

The participating interest of Dragon Oil, Turkiye Petrolleri A.O. (TPAO) and the Ghazanfar Group in the two blocks is 40%, 40% and 20%, respectively. Dragon Oil will be the operator of the Sanduqli block while the Mazar-i-Sharif block will be operated by TPAO. The Sanduqli block borders Turkmenistan and Uzbekistan in the north and spans 2,583km². The Mazar-i-Sharif block borders Uzbekistan in the north and has an area of 2,715km².

Work commitments on the blocks within the initial four-year exploration period will include seismic acquisition and interpretation and drilling two exploration wells in each block. In 2014, 2D seismic acquisition is expected to take place at these two blocks.

Egypt

In November 2013, we were notified by Ganoub El Wadi Holding Petroleum Company (Ganope), one of the main entities of the Petroleum Ministry responsible for all exploration and production activities in the southern part of Egypt, that the Company's offer for Block 19 in the Gulf of Suez, Egypt, had been initially accepted. This acceptance will be final after the approval by the governmental competent authorities. This is a normal process of final government approvals, which will result in an official decree awarding Dragon Oil the block.

Block 19 East Zeit Bay (in which Dragon Oil will have a 100% interest) is located offshore in the prolific southern Gulf of Suez region. The block covers an area of 93km² and lies in shallow waters ranging in depth from 10 to 40 metres. A number of producing oil fields are adjacent to or near Block 19, namely East Zeit, Hilal, Ashrafi, SW Ashrafi and Zeit Bay fields. Dragon Oil plans to do seismic acquisition and analysis over an area of approximately 100km² and drill two wells during the initial exploration period.

The Philippines

In January 2014, Dragon Oil signed a farm-in agreement with Nido Petroleum Philippines Limited (ASX: NDO) (“Nido”) for Service Contract 63 (SC 63) NW Palawan Basin, offshore the Philippines.

Under the terms of the agreement, the farm-in will be completed as a two-stage process, with Dragon Oil initially acquiring a 40% participating interest in SC 63 from Nido’s current 50% participating interest in the Service Contract, with an option in the second stage to acquire an additional 10% participating interest from The Philippine National Oil Company – Exploration Corporation (PNOC-EC) on the same terms and conditions agreed between Nido and Dragon Oil.

SC 63 covers an area of 10,560km² and is currently in Sub-Phase 2b of the exploration programme, in which there is a commitment to drill one well. 754km² of 3D seismic were shot in a previous exploration phase, leading to the identification of the Baragatan prospect as the drilling target for the commitment well. This prospect lies in c. 50 metre water depth and is anticipated to be drilled to a depth of 3,390 metres. The primary reservoir objective for the Baragatan-1 exploration well is the sandstones of the Miocene Pagasa Formation. Drilling is scheduled for 1H 2014.

Board changes

In March 2013, Mr McCue resigned from the Board of Directors of the Company having served on the Board of the Company for more than 11 years. He had contributed substantial business expertise and financial knowledge to the Company’s Board.

Thor Haugnaess temporarily assumed the role of Senior Independent Director.

In September 2013, Dragon Oil announced the appointment of Mr Justin Crowley as an Independent Non-executive Director. Mr Crowley is an Audit and Assurance Partner at BDO International specialising in regulated industries, oil and gas sector and other manufacturing and industrial sectors. His working experience covers external audit services; internal audit, specifically risk management, corporate governance, compliance audit; as well as forensic audit and corporate advisory.

Dividends

The Board of Directors of Dragon Oil recommends the payment of a final dividend of 18 US cents per share (2012: 15 US cents). Together with the interim dividend of 15 US cents, the total dividend for the year ended 31 December 2013 is 33 US cents. The final dividend of 18 US cents is subject to shareholder approval at the Annual General Meeting to be held in London, UK on 23 April 2014. If approved, the final dividend of 18 US cents is expected to be paid on 1 May 2014 to shareholders on the register as of 4 April 2014.

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

18 February 2014: Declaration of final dividend

2 April 2014: Ex-Dividend Date

4 April 2014: Record Date

23 April 2014: AGM

1 May 2014: Dividend Payment Date.

Our People

In 2013, the Group increased its average headcount to 1,504, a 10% increase over the previous year. In 2013, 266 people joined Dragon Oil across its two main locations, the headquarters in Dubai, UAE, and operational and administrative sites in Turkmenistan. The majority of new hires joined our operations in Hazar, Turkmenistan as we gear up for continued growth of production at the Cheleken Contract Area towards our medium-term goal of reaching 100,000 bopd in 2015 and maintaining the average gross production of 100,000 bopd as a plateau for at least five years from 2016.

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.

Corporate Social Responsibility

In 2013, Dragon Oil completed a significant project at US\$5mn: a polyclinic in Hazar, Turkmenistan with related facilities to supplement healthcare services provided to our employees, their families and the local community. The facilities were inaugurated in March 2013 and are already providing medical services.

Smaller-scale community-support projects included the refurbishment of eight classrooms at a local school, refurbishment of facilities at two nurseries and sponsorship for a number of sport events in Hazar, Turkmenistan.

Outlook

In 2014, our target is to grow average gross production at the lower range of 10% to 15% and between 10% and 15% in 2015-16. We plan to complete 14 to 16 wells, including one sidetrack, in 2014 and around 20 wells in 2015 given the present and future availability of drilling rigs. This would allow us to reach the 100,000 bopd target in 2015 with the aim of maintaining the average daily gross production of 100,000 bopd as a plateau for a minimum period of five years from 2016.

The details of the 2014 drilling programme are as follows:

- The jack-up rig is expected to complete four wells, including a sidetrack of the Dzheitune (Lam) B/155 well, and drill two more wells to a certain depth to be later completed by the Caspian Driller;
- The Neptune rig is expected to complete four wells before it is released and replaced by the Mercury rig;
- Land Rig 1 is scheduled to complete three wells and then released;
- Land Rig 2 will drill three wells on the Dzhygalybeg (Zhdanov) A platform in 2014;
- The Caspian Driller is expected to complete two wells;
- The arrival of Land Rig 3 is anticipated in 4Q 2014.

We expect to spend US\$1.5 billion on capital expenditure for infrastructure, drilling and exploration assets in 2014-16.

Financial Summary

Dragon Oil has strengthened its balance sheet further in the last 12 months with a growth of 13% in net assets to US\$3.2 billion. This comprises an increase of US\$553mn in total assets, offset by an increase of US\$173mn 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 9% decrease in revenue to US\$1,048mn and a 13% decrease in operating profit to US\$688mn are attributed to lower average realised crude oil prices and a marginal decrease in volumes of crude oil sales with the decline in operating profit offset by slightly lower cost of sales. Earnings per share were 13% lower and net cash from operations was 23% lower over 2012.

Key financial data

US\$m (unless stated)	2013	2012	Change
Revenue	1,047.9	1,155.1	(9%)
Gross Profit	723.8	826.0	(12%)
Operating profit	687.7	790.9	(13%)
Profit for the year	512.6	600.0	(15%)
Earnings per share, basic (US cents)	104.44	119.49	(13%)
Earnings per share, diluted (US cents)	104.36	119.26	(13%)
Net assets	3,239.5	2,859.3	13%
Net cash from operating activities	793.4	1,025.6	(23%)
Net cash used in investing activities	(901.1)	(501.9)	80%
Debt	Nil	Nil	Nil

Income Statement

Revenue

Gross production levels in 2013 averaged about 73,750 bopd (2012: about 67,600 bopd) on a working interest basis.

Revenue for the year was US\$1,048mn compared with US\$1,155mn in 2012. A decrease of 9% over the previous year is primarily attributable to a 1% decrease in the volume of crude oil sold over the previous

year and by a 9% decrease in the average realised crude oil price. The average realised crude oil price during the year was approximately US\$91 per barrel (2012: US\$100 per barrel) and was at a provisional 17% (2012: 11%) discount to Brent during the year. The higher provisional discount during the year was attributable to the new marketing arrangement effective 2013. The decrease in the volumes of crude oil sold was lower mainly due to lower entitlement offset by higher production in 2013 compared to 2012. The lower proportion of entitlement barrels in 2013 is primarily due to the lower capital expenditure in the Cheleken Contract Area despite lower realised crude oil prices.

Operating profit

Gross profit is measured on an entitlement basis. The entitlement production was approximately 44% (2012: 48%) of the gross production in 2013. 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 2012: overlift position of approximately 0.1 mn barrels).

The Group generated an operating profit of US\$688mn (2012: US\$791mn), 13% lower than in the previous year.

The decrease in operating profit of US\$103mn was primarily on account of lower sales. The Group's cost of sales was US\$324mn in 2013 compared to US\$329mn in 2012, a decrease of about 2%. Cost of sales includes operating and production costs and the depletion charge. The decrease is primarily due to movement in the lifting position offset by 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 decrease in operating and production costs was primarily attributable to the changes in lifting positions of US\$21mn offset by increased costs of US\$12mn due to a higher level of field operations. The depletion and depreciation charge during the year was higher by about 1% at US\$215mn (2012: US\$212mn) primarily due to adoption of US\$90 per barrel as the estimated long-term the oil price, offset by reserves replacement during the year.

Administrative expenses (net of other income) were marginally higher at US\$36mn (2012: US\$35mn) primarily due to an increase in head office costs during 2013.

Profit for the year

Profit for the year was US\$513mn (2012: US\$600mn), 15% lower than the previous year primarily on account of higher provisional discount and lower crude oil prices. The profit for the year includes finance income of US\$11mn (2012: US\$18mn) and a taxation charge of US\$186mn (2012: US\$209mn). Finance income decreased in 2013 despite higher cash and cash equivalents and term deposits maintained during the year on account of marginally lower interest yields.

Basic Earnings per share of 104.44 US cents for the year were 13% lower than the previous year (2012: 119.49 US cents).

Balance Sheet

Total capital expenditure for 2013 was US\$331mn (2012: US\$387mn). Investments in property, plant and equipment increased by an amount of US\$57mn primarily due to capital expenditure of US\$272mn (2012: US\$382mn) incurred on oil and gas interests offset mainly by the depletion and depreciation charge during the year. The total capital expenditure during the year was on drilling and infrastructure projects in Turkmenistan and exploration assets in Tunisia, Iraq and Afghanistan. Of the total capital expenditure for 2013, 37% was attributable to infrastructure (2012: 58%) with 46% (2012: 42%) spent on development drilling and the balance spent on exploration activities, which are classified as intangible assets on the balance sheet. The infrastructure spend during the period included construction of the Dzhygalybeg (Zhdanov) A and B platforms, partial replacement of the existing two 12-inch pipelines, structural upgrades and additional slots on a number of platforms.

Current Assets and Liabilities

Current assets rose by US\$438mn primarily due to an increase of US\$572mn in term deposits, US\$97mn in trade receivables, US\$12mn in inventories, partly offset by a decrease of US\$243mn in cash and cash equivalents. The cash and cash equivalents and term deposits at the year-end were US\$2,473mn (2012: US\$2,144mn), including US\$549mn (2012: US\$407mn) held for abandonment and decommissioning activities. Amounts of US\$2,438mn (2012: US\$1,866mn) are held in term deposits with original maturities greater than three months.

Current liabilities rose by US\$140mn due to increases of US\$135mn in the abandonment and decommissioning liability set aside to meet future obligations under the PSA based on increased production, US\$2mn in trade and other payables, US\$6mn towards the current tax liability and offset by US\$3mn in overlift creditors.

Cash flows

Net cash generated from operations during the year decreased by US\$233mn to US\$793mn (2012: US\$1,026mn). The decrease was primarily attributable to a lower average crude oil sales price realised during the year and the change in the working capital position offset partly by lower tax paid.

Cash used in investing activities was US\$901mn (2012: US\$502mn), comprising capital expenditure of US\$281mn (2012: US\$367mn), placement of term deposits of US\$572mn (2012: US\$148mn) and additions to intangible assets of US\$59mn (2012: US\$5mn), offset by interest received on cash and cash equivalents and term deposits of US\$11mn (2012: US\$18mn). Cash used in financing activities was US\$136mn (2012: US\$333mn) mainly on account of the payment of dividends of US\$147mn (2012: US\$131mn) partly offset by proceeds of US\$11mn (2012: US\$2mn).

**Group balance sheet
As at 31 December**

	2013 US\$'000	2012 US\$'000
ASSETS		
Non-current assets		
Property, plant and equipment	1,580,987	1,524,157
Intangible asset	64,172	5,466
	<u>1,645,159</u>	<u>1,529,623</u>
Current assets		
Inventories	24,450	12,387
Trade and other receivables	254,041	156,858
Term deposits	2,438,342	1,866,228
Cash and cash equivalents	34,208	277,997
	<u>2,751,041</u>	<u>2,313,470</u>
Total assets	<u><u>4,396,200</u></u>	<u><u>3,843,093</u></u>
EQUITY		
Capital and reserves attributable to the Company's equity shareholders		
Share capital	77,731	77,474
Share premium	245,101	233,889
Capital redemption reserve	80,644	80,644
Other reserve	7,640	8,022
Retained earnings	2,828,383	2,459,287
Total equity	<u>3,239,499</u>	<u>2,859,316</u>
LIABILITIES		
Non-current liabilities		
Trade and other payables	523	1,290
Deferred income tax liabilities	175,633	141,789
	<u>176,156</u>	<u>143,079</u>
Current liabilities		
Trade and other payables	699,740	566,070
Current income tax liabilities	280,805	274,628
	<u>980,545</u>	<u>840,698</u>
Total liabilities	<u>1,156,701</u>	<u>983,777</u>
Total equity and liabilities	<u><u>4,396,200</u></u>	<u><u>3,843,093</u></u>

Group income statement
Year ended 31 December

	2013 US\$'000	2012 US\$'000
Revenue	1,047,890	1,155,143
Cost of sales	(324,073)	(329,168)
Gross profit	<u>723,817</u>	<u>825,975</u>
Administrative expenses	(36,394)	(35,474)
Other income	309	407
Operating profit	<u>687,732</u>	<u>790,908</u>
Finance income	10,838	18,279
Profit before income tax	<u>698,570</u>	<u>809,187</u>
Income tax expense	(185,947)	(209,141)
Profit attributable to equity holders of the Company	<u><u>512,623</u></u>	<u><u>600,046</u></u>
Earnings per share attributable to equity holders of the Company		
Basic	104.44c	119.49c
Diluted	<u><u>104.36c</u></u>	<u><u>119.26c</u></u>

Group statement of comprehensive income
Year ended 31 December

	2013 US\$'000	2012 US\$'000
Profit attributable to equity holders of the Company	<u>512,623</u>	<u>600,046</u>
Total comprehensive income for the year	<u><u>512,623</u></u>	<u><u>600,046</u></u>

Group cash flow statement
Year ended 31 December

	2013 US\$'000	2012 US\$'000
Cash generated from operating activities	939,338	1,177,481
Income tax paid	(145,926)	(151,892)
Net cash generated from operating activities	<u>793,412</u>	<u>1,025,589</u>
Cash flows from investing activities		
Additions to property, plant and equipment	(281,105)	(366,749)
Additions to intangible assets	(58,706)	(5,466)
Interest received on bank deposits	10,838	18,279
Amounts placed on term deposits (with original maturities greater than three months)	(572,114)	(147,957)
Net cash used in investing activities	<u>(901,087)</u>	<u>(501,893)</u>
Cash flows from financing activities		
Proceeds from issue of share capital	11,469	2,378
Dividends paid	(147,289)	(130,618)
Shares repurchased	-	(204,136)
Employee contribution towards ESPP	1,557	2,011
Shares purchased for ESPP	(1,851)	(2,833)
Net cash used in financing activities	<u>(136,114)</u>	<u>(333,198)</u>
Net (decrease) / increase in cash and cash equivalents	<u>(243,789)</u>	<u>190,498</u>
Cash and cash equivalents at beginning of year	277,997	87,499
Cash and cash equivalents at end of year	<u><u>34,208</u></u>	<u><u>277,997</u></u>

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 2013	77,474	233,889	80,644	8,022	2,459,287	2,859,316
Total comprehensive income for the year	-	-	-	-	512,623	512,623
Shares issued during the year	257	11,212	-	-	-	11,469
Employee share option scheme: - value of services provided	-	-	-	3,674	-	3,674
Transfer on exercise of share options	-	-	-	(4,056)	4,056	-
Dividends	-	-	-	-	(147,289)	(147,289)
Employee share purchase plan contribution	-	-	-	-	(294)	(294)
Total transactions with owners	257	11,212	-	(382)	(143,527)	(132,440)
At 31 December 2013	77,731	245,101	80,644	7,640	2,828,383	3,239,499
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

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 financial statements have been approved for issue by the Board of Directors on 17 February 2014.

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 2013 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 2013 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 2013 approved by the Board of Directors on 17 February 2013. The financial information comprises the Group balance sheets as of 31 December 2013 and 31 December 2012 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 underlift receivables/overlift payables and provisionally priced trade receivables.

The preliminary results for the year ended 31 December 2013 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 2012. The audited financial statements for the year ended 31 December 2013 are available on the Company’s website, www.dragonoil.com and the following amendments to IFRS are effective as of 1 January 2013.

- IFRS 13 Fair Value Measurement

In addition, the following amended standards became effective for the current financial year but had no impact on the Group’s financial position or performance.

- IAS 1 (Amendments) Presentation of Items of Other Comprehensive Income;
- IAS 19 Employee Benefits (Revised 2011) (IAS 19R);
- IFRS 1 (Amendments) Government Loans;
- IFRS 7 (Amendments) Disclosures - Offsetting Financial Assets and Financial Liabilities;
- IFRIC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine; and
- Annual Improvements to IFRSs 2009-2011 Cycle.

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\$85 per barrel to US\$90 per barrel from 1 August 2013. 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 2013, the reserves attributable to the Group would decrease, with a consequent increase in the depletion charge of US\$10.9 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 2013, the reserves attributable to the Group would increase, with a consequent decrease in the depletion charge of US\$20.2 million for the year.

If the gas sales were delayed to 2018, the depletion charge would increase by US\$5 million for 2013. Should there be a significant delay in signing of the gas sales agreement at appropriate commercial terms beyond 2018, it would change the timing of the recognition of the depletion charge. Inclusion of the gas reserves has deferred a current year depletion charge in the amount of US\$64 million over the remaining life of the PSA.

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 10 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 16 February 2013, the board of directors of the Company have proposed a final dividend of US\$18 per share (2012: US\$15 per share) be paid to the shareholders in respect of the full year 2013. The total dividend to be paid is US\$88.5 million (2012: US\$73.4 million). In accordance with company law and IFRS, this dividend has not been provided for in the balance sheet at 31 December 2013. The proposed final dividend is subject to approval by shareholders at the Annual General Meeting.

7 Earnings per share

	2013 US\$'000	2012 US\$'000
Profit attributable to equity holders of the Company	512,623	600,046
	<u> </u>	<u> </u>
	Number '000	Number '000
Weighted average number of shares:		
Basic	490,836	502,181
Assumed conversion of potential dilutive share options	393	1,008
	<u> </u>	<u> </u>
Diluted	491,229	503,189
	<u> </u>	<u> </u>
Earnings per share attributable to equity holders of the Company:		
Basic	104.44c	119.49c
Diluted	104.36c	119.26c

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

	2013 US\$'000	2012 US\$'000
Profit before income tax	698,570	809,187
Adjustments for:		
- Depletion and depreciation	215,130	211,634
- Crude oil underlifts	-	4,445
- Crude oil overlifts	(2,910)	13,917
- Employee share options – value of services provided	3,674	3,923
- Interest on bank deposits	(10,838)	(18,279)
	<u> </u>	<u> </u>
Operating cash flow before changes in working capital	903,626	1,024,827
Changes in working capital:		
- Inventories	(12,063)	(5,399)
- Trade and other receivables	(97,183)	23,278
- Trade and other payables	144,958	134,775
	<u> </u>	<u> </u>
Cash generated from operating activities	<u>939,338</u>	<u>1,177,481</u>

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 2013, upon which the Auditors have given an unqualified audit opinion, will be annexed to the Company's annual return for 2013. Consistent with prior years, the full financial statements for the year ended 31 December 2013 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 2012 has been annexed to the Company's annual return for 2012 to the Companies Registration Office.

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