5 August 2014

DRAGON OIL PLC

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

2014 Interim Results

Dragon Oil plc (Ticker: DGO), an international oil and gas exploration, development and production company, today announces its interim financial and operational results for the period ended 30 June 2014. These results are prepared in accordance with International Accounting Standard 34, “Interim financial reporting” (“IAS 34”) as adopted by the European Union.

Financial highlights

(US$ million, unless stated otherwise)	**1H 2014**	**1H 2013**	**Change**
Revenue	547.0	491.6	11%
Operating profit	388.5	324.1	20%
Profit for the period	289.0	241.4	20%
Earnings per share, basic (US cents)	58.79	49.25	19%
Interim dividend per share (US cents)	20.00	15.00	33%
Capital expenditure	313.0	149.3	110%
Net cash generated from operating activities	364.4	219.9	66%
Cash and cash equivalents and term deposits, excluding A&D funds	1,858.8	1,651.1	13%

Operational performance

- Average gross production rate of approximately 73,440 barrels of oil per day (“bopd”) in 1H 2014 compared to 73,600 bopd in 1H 2013;
- Average gross production for June 2014 was 76,100 bopd (June 2013: 75,800 bopd);
- Seven wells, including two sidetracks, completed from 1 January 2014 to-date;
- Drilling from the Dzhygalybeg (Zhdanov) A platform expected to commence in August;
- Water injection pilot project ongoing at the Dzheitune (Lam) 75 area;
- Revenue was higher by 11% primarily due to higher realised crude oil price of US$93/barrel.

Exploration assets

- Contract for Block 19 East Zeit Bay, offshore the Gulf of Suez, Egypt, signed;
- Baragatan-1A exploration well in SC 63, offshore the Philippines, did not discover commercial hydrocarbons. A provision for impairment of US$18.1mn was recognised in 1H 2014;
- Exploration well in Iraqi Block 9 reached the first target; drilling continues.

Corporate developments

- Interim dividend of 20 US cents per share announced – an increase of 33% over the 2013 interim dividend of 15 US cents.

Outlook for 2H 2014

- Production growth target for 2014 re-iterated in the range of 5% to 10%;
- Further seven to nine wells expected to be completed by the year-end;
- Target an exit rate of 87,000 – 90,000 bopd;
- Work is ongoing to relocate the Dzhygalybeg (Zhdanov) B platform to the Dzheitune (Lam) field.

Outlook for 2015-16

- Achieve a target of average annual production growth of 10-15% in 2015;
- Reach an exit rate of 100,000 bopd at the end of 2015 and maintain an average gross production rate of 100,000 bopd for a minimum of five years thereafter;
- Actively screen development and exploration opportunities to expand the assets portfolio.

Dr Abdul Jaleel Al Khalifa, Chief Executive Officer, commented:

“I am pleased to report that revenues increased by 11% in 1H 2014 supported by better realised crude oil prices and higher sales volumes for our entitlement share of crude oil production from the Cheleken Contract Area in Turkmenistan. Sales volumes grew on the account of improved entitlement, which was 52% for the period compared to 44% a year ago. This change was primarily driven by a pick-up in capital expenditure in the Cheleken Contract Area, which more than doubled from the level seen in the first half of last year.

“Average gross production in 1H 2014 was supported by two successful sidetracks and effective management of the existing production. Having recently put on stream a successful Dzheitune (Lam) A/189 development well, which is now flowing at above 2,000 bopd, as well as the Dzheitune (Lam) A/190 well, as of the beginning of August we are producing at around 81,000 bopd.

“With regard to the exploration assets, we had a disappointing result in the Philippines: the Baragatan-1A well did not discover hydrocarbons. We are assessing our future interest in this block. In Iraq, the first target of the exploration well currently being drilled has been reached and drilling is continuing towards the second target. The consortium plans to evaluate both targets in 2H 2014. We also signed the contract for Block 19 East Zeit Bay, offshore the Gulf of Suez, Egypt, our first 100%-operatorship block outside of Turkmenistan.

“The Board is pleased to announce an increased interim dividend of 20 US cents. The Board continues to focus on the diversification opportunities for the Group, ongoing capital requirements for all our assets and a strong balance sheet.”

Glossary/Definitions/Abbreviations	
A&D	Abandonment and decommissioning
bbl	Barrel
bopd	barrels of oil per day
Dragon Oil / the Group	Dragon Oil plc and its various subsidiary companies
EPS	Earnings per share
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
PSA	Production Sharing Agreement is a contractual arrangement for exploration, development and production of hydrocarbon resources in the Cheleken Contract Area, Turkmenistan
Sidetrack	An efficient way to drill a new well via re-entering and then deviating from an existing wellbore with drilling equipment to access reserves from alternate zones or pools of hydrocarbons
Single completion	One pay zone in a development well that produces an independent flow path
US cents	United States cents
US$	United States Dollars

Analyst conference call details

A conference call for analysts will take place today at 9.00a.m. BST. For details, please contact Shabnam Bashir at Citigate Dewe Rogerson on +44 (0)20 7282 2822 or at shabnam.bashir@citigatedr.co.uk.

A replay of the call will be available from around 12.00pm today for one week on the following telephone number:

UK/International	+44 (0)20 3427 0598
Ireland	+353 (0)1 486 0902
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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.

2014 Interim Results

Chief Executive Officer's Statement

OVERVIEW

Revenues in the first half of the year were US$547mn, 11% higher than during the same period in 2013, primarily on account of better realised crude oil prices at US$93 per barrel and higher sales volumes. Higher realised crude oil prices were a result of the marginally higher average Brent prices and improved pricing under the current marketing agreement re-negotiated at the beginning of the year. We also sold higher volumes of our entitlement share of the crude oil production in the period.

Average gross production in 1H 2014 was similar to the level reached during the same period last year in the Cheleken Contract Area. Since the beginning of the year, Dragon Oil completed seven wells, including two successful sidetracks and one unsuccessful appraisal well; three of the seven wells were completed early in 3Q 2014 and thus did not contribute to the production in 1H 2014. We are in the process of procuring jet pumps for up to 14 wells and will commence installation later this year. The pilot water injection project is ongoing in the Dzheitune (Lam) 75 area and we plan to roll out water injection programmes at two more platforms.

Capital expenditure in the Cheleken Contract Area has increased significantly to US$279mn, compared to US$124mn in 1H 2013. The drilling programme for the remainder of the year comprises between eight and 10 wells. Work has commenced on the new wellhead and production platform Dzheitune (Lam) E and jackets of the Dzheitune (Lam) F platform, the former Dzhygalybeg (Zhdanov) B platform, are being transported offshore for installation. At the same time we are strengthening the existing platforms to add slots in order to reach targets from these existing platforms and accelerate production from these areas.

Delays with tendering processes to award contracts for the construction of the Gas Treatment Plant and another 30-inch oil and gas trunkline continue; this is partly due to the limited number of quality suppliers in the region. However, the Dragon Oil teams are working hard on evaluating the bids and the award of contracts is anticipated later this year.

We expect the arrival of the Caspian Driller in 2H 2014. Additional steps are being planned and undertaken to mobilise the rig in 3Q 2014 with expected spud of the first well in 4Q 2014.

We are pleased to report that the contract for Block 19 East Zeit Bay, offshore the Gulf of Suez, Egypt, was signed between the Petroleum Ministry represented by Ganoub El Wadi Petroleum Holding Company (GANOPE) and Dragon Oil on 19 May 2014. This is our first 100%-operatorship exploration block. We are setting up operations in the capital and look forward to working on the block.

The drilling of the exploration well in Iraq is ongoing with the first target having been reached, coring operation is taking place. Whilst the initial results have been very encouraging, drilling will continue until we reach the second target and the consortium will then evaluate the well. In Afghanistan, tendering processes to select contractors to perform the acquisition of 2D seismic data, airborne gravity and magnetic data in 2H 2014 in the Sanduqli and Mazar-i-Sharif blocks are ongoing. In Tunisia, the partners are working on securing a rig to perform Sidetrack-2 of the Hammamet West-3 well in 2015. In the Philippines we did not discover hydrocarbons having drilled a commitment well Baragatan-1A and we are evaluating the data obtained and our future interest in the block.

Our diversification strategy remains to screen, evaluate and acquire development and exploration targets that fit our criteria within Africa, parts of Asia and the Middle East, in order to create a diversified and balanced portfolio of assets for the Group.

The Board is announcing an interim dividend of 20 US cents, which is 33% higher than the interim dividend in 2013. Supported by our Board, we continue to focus primarily on the development of the Cheleken Contract Area, exploration activities and diversification opportunities.

OPERATIONAL OVERVIEW

DEVELOPMENT

Turkmenistan

Production and Entitlement

In 1H 2014, the gross average field production was 73,440 bopd (1H 2013: 73,600 bopd). Seven wells, including two sidetracks, were completed since the beginning of 2014.

The entitlement production for 1H 2014 was approximately 52% (1H 2013: 44%) of the gross production. Entitlement barrels are finalised in arrears and are dependent on, amongst other factors, fiscal terms of the Production Sharing Agreement, operating and development expenditure in the period and the realised crude oil price. Entitlement barrels in 1H 2014 are higher primarily due to higher development spend, despite slightly higher realised crude oil prices.

Marketing

Dragon Oil sold 5.9 million barrels of crude oil in 1H 2014 (1H 2013: 5.7 million barrels). The sales volumes increased by 4% over the comparable period's level as a result of higher entitlement despite changes in the lifting position.

In 1H 2014, Dragon Oil exported 100% (1H 2013: 100%) of its crude oil production through Baku, Azerbaijan.

The average realised crude oil price during the first half of 2014 was approximately US$93/bbl (1H 2013: US$86/bbl), at a discount of 15% (1H 2013: a provisional discount of 20%) to Brent. At the beginning of 2014, Dragon Oil renegotiated marketing arrangements to secure a relatively better discount resulting from a closer correlation between realised oil prices and 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 will continue to the end of 2014 and we continue to examine future options, which range from the renewal of existing arrangements to the development of alternatives via Kazakhstan or Russia, or other routes.

The Group was in an underlift position of approximately 0.6mn barrels of crude oil as of 30 June 2014 (31 December 2013: overlift position of 0.1mn barrels of crude oil).

Drilling

Since the beginning of 2014, Dragon Oil has completed seven wells, including two sidetracks, in the Dzheitune (Lam) and Dzhgalybeg (Zhdanov) fields. The following table summarises the results of this drilling programme:

Well	Rig	Completion date	Depth (metres)	Type	Initial test rate (bopd)
Lam B/155A	Elima	February	2,447	Development	1,027
Lam 4A/187	Elima	April	1,668	Appraisal	No production
Lam B/148A	Elima	May	1,875	Development	1,300
Zhdanov 21/101	Neptune	June	3,447	Appraisal	425
Lam 22/188	Land Rig 1	July	3,276	Development	No production
Lam A/189	Elima	July	1,822	Development	1,987
Lam A/190	Elima	August	1,904	Development	1,704

The sidetrack drilled from the Dzheitune (Lam) 4 platform to appraise a location for a future platform encountered water and will be side-tracked in the future. We anticipate that recoverable reserves previously attributed to this area will be downgraded. However, it is expected that this will be balanced by the potential addition of reserves from appraisal drilling, results we are seeing in the A-sands, artificial lift application and water injection projects.

An appraisal well Zhdanov 21/101 was drilled to a depth of 3,447 metres, but due to difficulties only the top of the reservoir was tested and flowed at 425 bopd with a high water content. The bottom section of the reservoir was not tested, but has further potential. It has been decided to suspend the well and sidetrack it in the future. The Dzhygalybeg (Zhdanov) field contains an estimated 15% of oil and condensate 2P reserves and will be appraised further for development.

The development well Dzheitune (Lam) A/188 was drilled to a depth of 3,276 metres but due to equipment failure has been temporarily suspended and is scheduled for sidetracking later this year.

We are currently employing two jack-up and two platform-based rigs and expect the arrival of the Caspian Driller in 2H 2014.

The Elima jack-up rig has completed Dzheitune (Lam) A/190 well and is to drill the Dzheitune (Lam) 28/192 well next.

The second jack-up rig, Neptune, 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 Neptune rig is currently drilling the Dzheitune (Lam) C/191 development well.

The Caspian Driller jack-up rig is expected to arrive into the Cheleken Contract Area in 2H 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. Additional steps are being undertaken to mobilise it in late 3Q 2014 and spud a well using this rig in 4Q 2014.

Land Rig 1 has skidded to the next slot and is to spud the Dzheitune (Lam) 22/193; the rig is due to complete two more wells on the Dzheitune (Lam) 22 platform, including the Lam 22/193 well, before it is released.

The platform-based rig ("Land Rig 2") contracted for drilling on the Dzhygalybeg (Zhdanov) A platform is preparing to spud the Dzhygalybeg (Zhdanov) A/102 well soon. It is expected to be used on the Dzhygalybeg (Zhdanov) A platform until it completes eight slots allocated for drilling with a land rig.

Water Injection project and artificial lift

The water injection pilot project is ongoing in the pilot Dzheitune (Lam) 75 area. We see a continued improvement in the reservoir pressure in the pilot area. The tendering process to acquire water injection facilities to be installed at the Dzheitune (Lam) 10 and 13 platforms is progressing. The aim of the water injection programme is to maintain pressure, sustain production rates and increase reserves recovery.

A tender for the procurement of the jet pumping systems for up to 14 wells is progressing, which we expect to install and commission in 2H 2014 – 1Q 2015. The first few wells to be equipped with jet pumping systems by the end of the year will be at the Dzheitune (Lam) 10 and 13 platforms. The objective of this artificial lift application is to increase production and enhance recovery.

Infrastructure

In February 2014, Dragon Oil awarded a contract for the construction and installation of the wellhead and production platform Dzheitune (Lam) E and associated pipelines. Design and detailed engineering work has commenced. Construction and installation are expected to take two years with the platform being ready in 1H 2016. The platform will have eight fitted slots with space for another four slots to be fitted later, and suitable for a jack-up drilling rig use.

Work is ongoing to relocate the Dzhygalybeg (Zhdanov) B platform to the Dzheitune (Lam) field, location Lam F. Modification work and subsequent installation are expected to be completed in 4Q 2014.

Structural strengthening is being performed at a number of 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, 10, 28 and B platforms are to be strengthened within the existing structures during 2014.

The project to quadruple our crude oil storage capacity at the Central Processing Facility is progressing as planned. The tank farm is anticipated to be completed in 1Q 2016 with three tanks built and commissioned on a priority basis in 2Q 2015.

The tendering process to select a contractor to build another 30-inch trunkline from the Dzheitune (Lam) field to the Central Processing Facility is in the tendering stage. Construction is expected to take two years after the contract is awarded.

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 another four non-producing old wells, bringing the total of plugged and abandoned wells to nine. Up to four non-producing old wells are scheduled to be plugged and abandoned in 2H 2014. The execution of this strategy is part of the abandonment and decommissioning activities the Group plans to undertake to fulfil its obligations under the Production Sharing Agreement. A number of non-producing wells are to be evaluated for future plug and abandon activities. The cost of these activities is to be financed from the abandonment and decommissioning funds.

Gas Treatment Plant

The bids for an engineering, procurement, installation and construction project of the Gas Treatment Plant are in the evaluation stage. 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, to be verified at a later stage, should allow us in the future to strip around 3,600 barrels (annual average) of condensate (depending on the final gas composition) 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 Production Sharing Agreement as crude oil.

EXPLORATION

Tunisia

The joint venture partners (Dragon Oil, 55%; Cooper Energy, 30% and operator; and Jacka Resources Ltd, 15%) are working on securing a drilling rig to perform Sidetrack-2 of the Hammamet West-3 well in 2015. The estimated cost of Sidetrack-2 is approximately US$35 million of which Dragon Oil will contribute based on working interest in the block (Dragon Oil, 55%).

Iraq

In Iraq, the consortium of Dragon Oil (30%) and Kuwait Energy Corporation (70% and operator) is drilling an exploration well. The well is targeting two prospective reservoirs, which, in case of a discovery, are expected to be tested in 2H 2014. The first target has been reached, coring operation is ongoing. Concurrently, the consortium has completed an environmental impact assessment and environmental baseline studies, as part of the consortium's contractual obligations, in preparation for de-mining work and seismic acquisition. De-mining activities commenced in early June 2014. 3D seismic acquisition activities are planned for 1H 2015. The work commitment on the block within the initial five-year exploration period will include de-mining, seismic acquisition and interpretation and drilling of an exploration well.

Afghanistan

In Afghanistan, seismic acquisition and aeromagnetic survey have been approved by the Ministry of Mines and Petroleum of Afghanistan. The consortium, comprising Dragon Oil (40%, operator of Sanduqli block), TP Afghanistan Ltd. (TPAL, 40% and operator of Mazar-i-Sharif block) and the Ghazanfar Group (20%), is conducting a tendering process to select a contractor to perform the acquisition of 1,270 kilometres of 2D seismic data, as well as airborne gravity and magnetic data in 2H 2014 in the Sanduqli block. Similar activities are ongoing for the Mazar-i-Sharif block.

Egypt

The contract for Block 19 East Zeit Bay, offshore the Gulf of Suez, Egypt, was signed between the Petroleum Ministry represented by Ganoub El Wadi Petroleum Holding Company (GANOPE) and Dragon Oil on 19 May 2014. We have hired a country manager and are setting up an office in Cairo and starting the work programme as per the Exploration Production Sharing Agreement.

The Philippines

On 7 July 2014, Nido Petroleum Limited (ASX: NDO) on behalf of SC 63 Joint Venture partners PNOC-EC and Dragon Oil (Philippines SC 63) Limited advised that the Baragatan-1A well did not discover commercial hydrocarbons. The Baragatan-1A well has been plugged and abandoned. The partners plan to integrate information and data obtained from the well into current geological models and Dragon Oil will then assess its future interest in the block.

MATERIAL EVENTS

Interim dividend

The Board is pleased to announce an increased interim dividend of 20 US cents per share. This represents a growth of 5 US cents per share, or 33%, on the interim dividend in 2013. The final dividend in respect of 2014 will be announced at the time of publication of the 2014 full-year results in February 2015. The interim dividend is not subject to shareholder approval.

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

5 August 2014: Declaration of interim dividend
13 August 2014: Ex-Dividend Date
15 August 2014: Record Date
15 September 2014: Dividend Payment Date.

2014 Principal risks and uncertainties

In accordance with the Transparency (Directive 2004/109/EC) Regulations 2007, a description of the principal risks and uncertainties facing the Group in the six months to 31 December 2014 is set out below:

- **Oil prices**

The Group's primary business is the production of hydrocarbons from the Cheleken Contract Area in the Caspian Sea, Turkmenistan. The financial performance of the Group and its ability to fund its exploration and development plans may, therefore, be negatively affected by adverse movements in the price of oil. The Group actively monitors its exposure to oil prices and retains flexibility in sizing its development programme.

- **Export routes**

Current available export routes to sell crude oil from the Caspian Sea region to international markets are via Azerbaijan, Russia and Kazakhstan. The Group currently exports all of its crude oil via Azerbaijan. Opportunities to continue using this marketing arrangement are constantly evaluated over the longer term. At the same time, we are also evaluating alternative export routes.

- **Other**

Other medium to long-term principal risks and uncertainties facing the Group are as disclosed in the 2013 Annual Report, available on Dragon Oil's website at www.dragonoil.com. These include, among other risks and uncertainties, the following:

- Strategic risks related to limited export routes for our entitlement share of crude oil production, reliance on a sole producing asset and political and country context;
- Operational risks related to ability to attract and retain skilled and talented human capital; unexpected loss/unavailability of drilling rigs in Turkmenistan; quality of contractors to undertake projects; risks related to Health, Safety and Environment hazards, incidents and liability; impairment of production due to integrity of assets in Turkmenistan;
- Financial risks related to prolonged or sharp decline in oil price; failure to replace, acquire and develop additional reserves; economics under the PSA in Turkmenistan; the gas development project in Turkmenistan; security of cash balances;
- Compliance risks related to difficulties in securing approval processes, licences and visas; impact from sanctions against Iran.

FINANCIAL OVERVIEW

US$mn (unless stated)	1H 2014	1H 2013	Change
Revenue	547.0	491.6	11%
Gross Profit	426.4	339.8	25%
Operating profit	388.5	324.1	20%
Profit for the period	289.0	241.4	20%
Earnings per share, basic (US cents)	58.79	49.25	19%
Earnings per share, diluted (US cents)	58.77	49.19	19%
Total equity	3,443.7	3,039.7	13%
Net cash from operating activities	364.4	219.9	66%
Net cash used in investing activities	(243.8)	(398.1)	(39%)
Interim dividend per share (US cents)	20.00	15.00	33%

Income Statement

Revenue

In the first half of 2014, the Group's revenue increased by 11% to US$547.0mn (1H 2013: US$491.6mn) including an adjustment of US$5.1mn from provisionally priced sales of 2013. The Group sold 5.9mn barrels of crude oil (1H 2013: 5.7mn barrels) at a realised price of US$93/bbl (1H 2013: US$86/bbl). Of the overall revenue increase, 67% was attributed to a higher realised crude oil price with the balance due to increase in the volume sold.

Operating profit

Cost of sales decreased by US$31.2mn to US$120.6mn (1H 2013: US$151.8mn). Cost of sales includes operating and production costs and depletion charges. The decrease in the operating and production costs is primarily attributed to changes in the lifting position despite increase in the depletion charge. The depletion charge of US$133.2mn (1H 2013: US$101.9mn) was higher by 31% than the charge in the corresponding period in 2013 due to increased entitlement barrels during the period and an upward revision in the estimated long-term oil price.

The Group generated an operating profit of US$388.5mn in 1H 2014 (1H 2013: US$324.1mn), which was higher by 20% over the comparable period. The increase in operating profit of US$64.4mn was primarily on account of higher revenue and lower cost of sales. Administrative expenses (net of other income) at US$19.9mn (1H 2013: US$15.7mn) were higher by 27% due to an increase in corporate costs. A provision for impairment of US$18.1mn (1H 2013: nil) was recognised towards the exploration and evaluation costs of the Baragatan-1A well, offshore the Philippines. The exploration well did not discover commercial hydrocarbons and has been plugged and abandoned. The future interest in the block remains to be assessed.

Profit for the period

The profit for the first six months of 2014, at US$289.0mn (1H 2013: US$241.4mn), includes a taxation charge of US$105mn (1H 2013: US$88.4mn), and finance income of US$5.5mn (1H 2013: US$5.7mn). The taxation charge was higher during the period on account of higher profits. The finance income was marginally lower due to lower interest yields achieved despite higher average cash balance on deposit during the first six months of the year in a weak interest rate environment.

Basic EPS of 58.79 US cents in the first half of this year were 19% higher than the basic EPS in the same period last year (1H 2014: 49.25 US cents) primarily due to higher net profit despite a marginal increase in the number of shares in issue during the period.

Balance Sheet

Net book value of property, plant and equipment increased by US$145.4mn due to capital expenditure of US$278.7mn incurred (1H 2013: US$123.7mn) offset by the depletion and depreciation charge of US$133.3mn (1H 2013: US$101.9mn) during the period. Of the total capital expenditure, US$134.8mn (1H 2013: US$76.5mn) was attributable to development and appraisal drilling with the balance spent on infrastructure in Turkmenistan. The infrastructure spend during the period included re-location of the Dzhygalybeg (Zhdanov) B platform, construction of the tank farm and additional slots on the Dzheitune (Lam) C, 28 and 10 platforms.

The net book value of intangible assets increased by US$16.2mn net of a provision for impairment of US$18.1mn towards the Baragatan-1A well exploration and evaluation costs and is primarily attributable to spend on exploration and evaluation assets.

Current Assets and Liabilities

Current assets increased by US$112.7mn, primarily due to higher trade and other receivables and cash and cash equivalents offset by lower term deposits, as compared to 2013 year-end. The trade and other receivables increased by US$111.7mn primarily on account of the underlift receivable position at the period end and increased sales volumes and crude oil price realised during the period.

Cash and cash equivalents and term deposits as at 30 June 2014 were US$2,471.4mn (31 December 2013: US$2,472.5mn), including US$612.6mn (31 December 2013: US$549mn) set aside for abandonment and decommissioning activities.

Current liabilities increased by US$55.2mn due to an increase of US$85mn in trade and other payables partly offset by a lower current income tax liability at the period end.

Cash flows

Net cash generated from operating activities in 1H 2014 of US$364.4mn was 66% higher than net cash generated in the same period last year (1H 2013: US$219.9mn), with the increase primarily attributed to a higher revenue during the period and movement in working capital, partly offset by lower tax paid.

Net cash used in investing activities in 1H 2014 was US$243.8mn (1H 2013: US$398.1mn) comprising of capital expenditure of US$284.5mn offset by withdrawal from term deposits of US$35.2mn and interest income of US$5.5mn received during the period.

Net cash used in financing activities in 1H 2014 was US$86.5mn (1H 2013: US$63.0mn) primarily due to the payment of 2013 final dividends of US$88.5mn partly offset by an inflow of US$2.2mn on issue of new shares following the exercise of share options.

OUTLOOK

In 2014, we expect to drill between 14 and 16 wells, including a number of sidetracks. Of this total number of wells, seven wells, including two sidetracks, have already been competed to-date with another seven to nine wells to be put into production by the end of the year. The remaining wells will be drilled by Land Rig 1 (two wells), the Elima jack-up rig (three wells), Neptune jack-up rig (three wells), Land Rig 2 (one well).

We expect the average gross production growth from the Cheleken Contract Area to be in the range of 5% to 10% in 2014 with a year-end exit rate of 87,000-90,000 bopd. We maintain our guidance for an exit rate of 100,000 bopd in 2015 and plans to sustain the 100,000 bopd average gross production for a minimum of five years thereafter.

Our capital expenditure on infrastructure and drilling in the Cheleken Contract Area for 2014 is estimated at US$500mn. Capex for exploration assets is expected to be under US$100mn in 2014. For 2014-16 the estimated capital expenditure for infrastructure and drilling in the Cheleken Contract Area remains US$1.5 billion without including the capital expenditure for the Gas Treatment Plant and for exploration assets in the range of $200mn to $300mn over three years.

Dr Abdul Jaleel Al Khalifa

Chief Executive Officer

Dragon Oil plc

- end -

Condensed group balance sheet

	Note	Unaudited 30 June 2014 US$'000	31 December 2013 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	**1,726,426**	1,580,987
Intangible assets	7	**80,368**	64,172
		1,806,794	1,645,159
Current assets			
Inventories		**26,528**	24,450
Trade and other receivables		**365,761**	254,041
Term deposits	9	**2,403,180**	2,438,342
Cash and cash equivalents	9	**68,262**	34,208
		2,863,731	2,751,041
Total assets		**4,670,525**	4,396,200
EQUITY			
Capital and reserves attributable to equity shareholders			
Share capital	10a	**77,767**	77,731
Share premium	10a	**247,264**	245,101
Capital redemption reserve	10b	**80,644**	80,644
Other reserve		**8,628**	7,640
Retained earnings		**3,029,400**	2,828,383
Total equity		**3,443,703**	3,239,499
LIABILITIES			
Non-current liabilities			
Trade and other payables	11	**1,326**	523
Deferred income tax liabilities		**189,729**	175,633
		191,055	176,156
Current liabilities			
Trade and other payables	11	**784,771**	699,740
Current income tax liabilities		**250,996**	280,805
		1,035,767	980,545
Total liabilities		**1,226,822**	1,156,701
Total equity and liabilities		**4,670,525**	4,396,200

The notes on pages 15 to 24 form an integral part of the interim financial information

Condensed group income statement

	Note	**Unaudited 6 months ended 30 June 2014 US$'000**	Unaudited 6 months ended 30 June 2013 US$'000
Revenue	12	**546,993**	491,640
Cost of sales		**(120,564)**	(151,822)
Gross profit		**426,429**	339,818
Administrative expenses		**(20,027)**	(15,861)
Provision for impairment of exploration and evaluation assets	7	**(18,087)**	-
Other income		**177**	165
Operating profit		**388,492**	324,122
Finance income		**5,479**	5,702
Profit before income tax		**393,971**	329,824
Income tax expense	16	**(104,982)**	(88,391)
Profit attributable to equity holders of the Company		**288,989**	241,433

Earnings per share attributable to equity holders of the Company		**US Cents per share**	US Cents per share
Basic	14	**58.79c**	49.25c
Diluted	14	**58.77c**	49.19c

Condensed group statement of comprehensive income

	Unaudited 6 months ended 30 June 2014 US$'000	Unaudited 6 months ended 30 June 2013 US$'000
Profit attributable to equity holders of the Company	**288,989**	241,433
Total comprehensive income for the period	**288,989**	241,433

The notes on pages 15 to 24 form an integral part of the interim financial information

Condensed group statement of changes in equity

	Share capital U S$'000	Share premium US$'000	Capital redemption reserve US$'000	Other reserve US$'000	Retained earnings US$'000	Total US$'000
For the six months ended 30 June 2014 (Unaudited)						
At 1 January 2014	77,731	245,101	80,644	7,640	2,828,383	3,239,499
Total comprehensive income for the period	-	-	-	-	288,989	288,989
Shares issued during the period	36	2,163	-	-	-	2,199
Employee share option scheme:						
-value of services provided	-	-	-	1,689	-	1,689
Transfer on exercise of share options	-	-	-	(701)	701	-
Dividends (Note 13)	-	-	-	-	(88,480)	(88,480)
Employee share purchase plan contribution	-	-	-	-	(193)	(193)
Total transactions with owners	**36**	**2,163**	**-**	**988**	**(87,972)**	**(84,785)**
At 30 June 2014	**77,767**	**247,264**	**80,644**	**8,628**	**3,029,400**	**3,443,703**
For the six months ended 30 June 2013 (Unaudited)						
At 1 January 2013	77,474	233,889	80,644	8,022	2,459,287	2,859,316
Total comprehensive income for the period	-	-	-	-	241,433	241,433
Shares issued during the period	246	10,551	-	-	-	10,797
Employee share option scheme:						
-value of services provided	-	-	-	1,903	-	1,903
Transfer on exercise of share options	-	-	-	(3,699)	3,699	-
Dividends (Note 13)	-	-	-	-	(73,586)	(73,586)
Employee share purchase plan contribution	-	-	-	-	(169)	(169)
Total transactions with owners	246	10,551	-	(1,796)	(70,056)	(61,055)
At 30 June 2013	77,720	244,440	80,644	6,226	2,630,664	3,039,694

The notes on pages 15 to 24 form an integral part of the interim financial information

Condensed group cash flow statement

	Note	**Unaudited 6 months ended 30 June 2014 US$'000**	Unaudited 6 months ended 30 June 2013 US$'000
Cash generated from operating activities	15	**485,069**	366,169
Income tax paid		**(120,695)**	(146,271)
Net cash generated from operating activities		**364,374**	219,898
Cash flows from investing activities			
Additions to property, plant and equipment		**(250,204)**	(156,265)
Additions to intangible assets		**(34,283)**	(25,632)
Interest received on bank deposits		**5,479**	5,702
Amounts withdrawn from term deposits (with original maturities of over three months)	3.1	**2,438,342**	1,856,696
Amounts placed on term deposits (with original maturities of over three months)	3.1	**(2,403,180)**	(2,078,576)
Net cash used in investing activities		**(243,846)**	(398,075)
Cash flows from financing activities			
Proceeds from issue of share capital	10a	**2,199**	10,797
Dividends paid	13	**(88,480)**	(73,586)
Employee contribution towards ESPP		**1,076**	776
Shares purchased for ESPP		**(1,269)**	(945)
Net cash used in financing activities		**(86,474)**	(62,958)
Net increase / (decrease) in cash and cash equivalents		**34,054**	(241,135)
Cash and cash equivalents at the beginning of the period		**34,208**	277,997
Cash and cash equivalents at the end of the period		**68,262**	36,862

The notes on pages 15 to 24 form an integral part of the interim financial information

Notes to the interim financial information

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 Group headquarters is based in Dubai, United Arab Emirates.

The Company is a public limited company, incorporated and domiciled in the Republic of Ireland in September 1971. The address of its registered office is 6th Floor, South Bank House, Barrow Street, Dublin 4, Ireland. The registration number is 35228.

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

This condensed consolidated interim financial information (interim financial information) was approved for issue by the Board of Directors on 4 August 2014.

2 Basis of preparation of interim financial information

This interim financial information for the six months ended 30 June 2014 has been prepared in accordance with the Transparency (Directive 2004/109/EC) Regulations 2007, the related Transparency Rules of the Central Bank of Ireland and with International Accounting Standard 34, "Interim financial reporting" ("IAS 34") as adopted by the European Union. The interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2013, which have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union. The interim financial information has been prepared under the historical cost convention except for the measurement at fair value of under lift receivables/over lift payables.

The preparation of the interim financial information includes the use of estimates and assumptions that affect items reported in the condensed Group balance sheet and the condensed Group income statement. Although these estimates are based on management's best knowledge of current circumstances and assumptions about future events and actions, actual results may differ from those estimates.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

3 Accounting policies

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2013, as described in those annual financial statements, except for the adoption of new standards and interpretations as of 1 January 2014.

New standards, interpretations and amendments adopted by the Group

The Group applies, for the first time, certain standards and amendments. As required by IAS 34, the nature and the effect of these changes are disclosed below.

The following amended standards and interpretations became effective for the first time in 2014 but have no impact on the annual consolidated financial statements of the Group or the interim condensed consolidated financial statements of the Group.

- Defined benefit plans: Employee contributions (Amendments to IAS 19);
- IAS 32 Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32;
- Recoverable Amount Disclosures for Non-Financial Assets – Amendments to IAS 36 Impairment of Assets;
- IAS 39 Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39;
- IFRS 10 Consolidated Financial Statements and IAS 27 Separate Financial Statements;
- IFRS 11 Joint Arrangements and IAS 28 Investment in Associates and Joint Ventures;
- IFRS 12 Disclosure of Interests in Other Entities;
- Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27);
- IFRIC 21 Levies (IFRIC 21)

3 Accounting policies (continued)

3.1 Cash and cash equivalents and term deposits

Cash and cash equivalents comprise cash in hand and deposits held with banks with an original maturity of three months or less. Deposits with an original maturity of greater than three months but less than 12 months are classified as term deposits and presented separately. In 1H 2014, the movement of term deposits within an accounting period in the Group cash flow has been split between amounts withdrawn and placed on term deposits. Comparative information for 1H 2013 for a net outflow in amounts placed on term deposits of US$ 221.9 million has been split between amounts withdrawn from term deposits of US$ 1,856.7 million and amounts placed on term deposits of US$ 2,078.6 million.

4 Segment information

In accordance with IFRS 8 'Operating Segments', the Group has three principal reporting segments from which are as follows:

- Central Asia : Development and production assets located in Turkmenistan in the Caspian region
- North Africa : Exploration and evaluation assets in Tunisia and Egypt
- South East Asia and Middle East : Exploration and evaluation assets in Philippines, Iraq and Afghanistan

In the prior year, the Group was managed as a single business unit and therefore a single segment was presented.

In the current period, the segment information presented is based on the financial performance as reported in the internal reporting provided to the Chief Operating Decision-maker (CODM). The Board of Directors (BOD), which is responsible for allocating resources and assessing performance of the operating segments, 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.

'Corporate' primarily includes cash resources held by the Group, interest income earned and other operational expenditure incurred by the Group which are not specifically attributable to identified operating segments.

	Central Asia	**North Africa**	**South East Asia and Middle East**	**Corporate**	**Eliminations**	**Total**
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Revenue						
External customers	546,993	-	-	-	-	546,993
Segment result before tax	429,019	(31)	(18,135)	-	-	410,853
Unallocated Corporate expenses						(22,538)
Other income						177
Operating profit						**388,492**
Finance income						5,479
Profit before tax						**393,971**
Income tax expense						(104,982)
Profit after tax						**288,989**
Total assets	**4,687,115**	**67,048**	**16,998**	**2,514,094**	**(2,614,730)**	**4,670,525**
Total liabilities	**(1,796,528)**	**(67,076)**	**(35,168)**	**(1,942,780)**	**2,614,730**	**(1,226,822)**

4 Segment information (continued)

	Central Asia	North Africa	South East Asia and Middle East	Corporate	Eliminations	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Other segment information						
Capital expenditure for the period:						
Property, plant and equipment	278,624	-	-	115	-	**278,739**
Intangible exploration & evaluation assets	-	13,166	20,790	-	-	**33,956**
Other Intangible assets	327	-	-	-	-	**327**
Impairment losses recognised in income statement	-	-	(18,087)	-	-	**(18,087)**

Comparative information as at 31 December 2013 is not provided as the only assets not in the Central Asia segment were the exploration and evaluation assets of US$ 63.7 million and other intangible assets of US$ 0.5 million.

5 Critical accounting judgements and estimates

The preparation of the interim financial information in conformity with IAS 34 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 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$ 90 per barrel to forward curve for 2014-16 and then US$ 90 per barrel thereafter. 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 estimate for netback price of gas had been US$ 2 per Mscf higher at US$ 5.50 from 1 January 2014, the reserves attributable to the Group would decrease, with a consequent increase in the depletion charge of US$ 6.3 million for the six months period ended 30 June 2014.

If the estimate of the long-term oil price had been US$ 20 per barrel lower and the estimate for netback price of gas had been US$ 2 per Mscf lower at US$ 1.50 from 1 January 2014, reserves attributable to the Group would increase, with a consequent decrease in the depletion charge of US$ 10.4 million for the six months period ended 30 June 2014.

If the gas sales were delayed to 2019, the depletion charge would increase by US$ 2.6 million for 1H 2014. Should there be a significant delay in signing of the gas sales agreement at appropriate commercial terms beyond 2019, it would change the timing of the recognition of the depletion charge. Inclusion of the gas reserves has deferred a current period depletion charge in the amount of US$ 38 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 ten years, provided for in the PSA.

5 Critical accounting judgements and estimates (continued)

(b) Exploration and evaluation (E&E) 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.

6 Property, plant and equipment

During the six months period ended 30 June 2014, the Group acquired development and production assets with a cost of US$ 278.6 million (1H 2013: US$ 123.7 million). The depletion and depreciation charge was US$ 133.3 million (1H 2013: US$ 101.9 million).

7 Intangible assets

The intangible assets are exploration and evaluation assets and other intangible assets of US$80 million (31 December 2013: US$ 64.2 million) primarily relating to the Group's interest in certain exploration blocks in Tunisia, Afghanistan, Iraq, Egypt and Philippines and is net of a provision for impairment of US$18.1 million towards the Baragatan-1A well, offshore the Philippines. The exploration well did not discover commercial hydrocarbons and has been plugged and abandoned. The future interest in the block remains to be assessed.

8 Financial instruments

(i) Financial instruments by category

	Unaudited 30 June 2014 US$'000	31 December 2013 US$'000
Assets as per balance sheet		
Loans and receivables		
Trade and other receivables excluding prepayments, advances to suppliers and underlift receivables	**232,393**	199,049
Term deposits	**2,403,180**	2,438,342
Cash and cash equivalents	**68,262**	34,208
	2,703,835	2,671,599
Fair value through profit or loss		
Crude oil underlift receivable	**60,499**	-
Embedded derivatives	**-**	2,080
	60,499	2,080
Liabilities as per balance sheet		
Liabilities at amortised cost		
Trade and other payables	**786,097**	689,256
Fair value through profit or loss		
Crude oil overlift payable	-	11,007

The carrying value of the financial instruments is a reasonable approximation of their fair value. There were no provisionally priced sales as at 30 June 2014 (31 December 2013: provisionally priced sales of US$ 160.5 million which are marked-to-market).

8 Financial instruments (continued)

(ii) Fair value hierarchy

All financial instruments for which fair value is recognised or disclosed are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1: Quoted market prices in an active market (that are unadjusted) for identical assets or liabilities;

Level 2: Valuation techniques (for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable); and

Level 3: Valuation techniques (for which the lowest level input that is significant to the fair value measurement is unobservable).

As at 30 June 2014, the Group held the following classes of financial instruments measured at fair value:

	Unaudited 30 June 2014	**Level 1**	**Level 2**	**Level 3**
	US$'000	**US$'000**	**US$'000**	**US$'000**
Financial assets measured at fair value				
Fair value through profit and loss – Crude oil underlift receivable	**60,499**	-	60,499	-

	31 December 2013 US$'000	**Level 1 US$'000**	**Level 2 US$'000**	**Level 3 US$'000**
Financial assets measured at fair value				
Fair value through profit and loss – Embedded derivatives	**2,080**	-	2,080	**-**
Financial liabilities measured at fair value				
Fair value through profit and loss – Crude oil overlift payable	**11,007**	-	11,007	-

9 Cash and bank balances

Cash and bank balances include an amount of US$ 612.6 million (31 December 2013: US$ 549.0 million) held on deposit for abandonment and decommissioning activities. The related liability is shown under trade and other payables (Note 11).

Cash and cash equivalents do not include any interest bearing deposits with original maturities of less than three months (31 December 2013: nil).

10a Share capital and premium

	Number of shares ('000)	**Ordinary shares US$'000**	**Share premium US$'000**	**Total US$'000**
At 1 January 2013	489,462	77,474	233,889	311,363
Shares issued during the period in respect of share options vested	1,893	246	10,551	10,797
At 30 June 2013	491,355	77,720	244,440	322,160
At 1 January 2014	491,445	77,731	245,101	322,832
Shares issued during the period in respect of share options vested	260	36	2,163	2,199
At 30 June 2014	**491,705**	**77,767**	**247,264**	**325,031**

Notes to the interim financial information (continued)

10b Capital redemption reserve

The capital redemption reserve arises from a reorganisation of the Company's share capital in 2002. This reserve is non-distributable.

11 Trade and other payables

	Unaudited 30 June 2014 US$'000	31 December 2013 US$'000
Trade payables	**59,377**	49,183
Accruals	**98,292**	60,232
Crude oil overlift payable	**-**	11,007
Abandonment and decommissioning liability	**626,803**	573,898
Other creditors	**1,625**	5,943
	786,097	700,263
Less: Non-current portion	**(1,326)**	(523)
	784,771	699,740

Trade payables and accruals include amounts of US$ 37.6 million (31 December 2013: US$ 40.5 million) and US$ 67 million (31 December 2013: US$ 35.6 million) respectively, relating to additions to property, plant and equipment – development and production assets.

The abandonment and decommissioning liability represents amounts relating to the sale of crude oil set aside to cover abandonment and decommissioning liabilities under the terms of the PSA.

12 Revenue

Revenue of US$ 547.0 million (1H 2013: US$ 491.6 million) comprises an amount of US$ 546.9 million (1H 2013: US$ 491.5 million) arising from the sale of crude oil through Azerbaijan and US$ 0.1 million (1H 2013: US$ 0.07 million) arising from other sales.

Revenue from the sales of crude oil was from one customer (1H 2013: one customer).

13 Dividends paid and proposed

	Unaudited 6 months ended 30 June 2014 US$'000	Unaudited 6 months ended 30 June 2013 US$'000
Dividends on ordinary shares declared and paid during the six month period:		
Final dividend: US cents 18 per share (2012: US cents 15 per share)	**88,480**	73,586
	88,480	73,586
Interim dividends on ordinary shares approved subsequent to the period-end (not recognised as a liability as at 30 June):		
Interim dividend US cents 20 per share (Interim 2013: US cents 15 per share)	**98,341**	73,703

The 2014 proposed interim dividend was approved on 4 August 2014.

14 Earnings per share

The calculation of basic earnings per ordinary share is based on the weighted average number of 491,552,245 ordinary shares in issue during the six months to 30 June 2014 (1H 2013: 490,256,102 ordinary shares) and on the profit for the period of US$ 289 million (1H 2013: US$ 241 million).

The calculation of diluted earnings per ordinary share is based on the number of 491,737,410 ordinary shares in issue during the six months to 30 June 2014 (1H 2013: 490,823,659 ordinary shares) adjusted to assume conversion of potential dilutive options over ordinary shares.

15 Cash generated from operating activities

	Unaudited 6 months ended 30 June 2014 US$'000	Unaudited 6 months ended 30 June 2013 US$'000
Profit before income tax	**393,971**	329,824
Adjustments for:		
- Depletion and depreciation	**133,300**	101,932
- Crude oil underlifts	**(60,499)**	-
- Crude oil overlifts	**(11,007)**	(1,347)
- Employee share option schemes – value of services provided	**1,689**	1,903
- Interest on bank deposits	**(5,479)**	(5,702)
- Write-off of intangible assets	**18,087**	-
Operating cash flow before changes in working capital	**470,062**	426,610
Changes in working capital:		
- Inventories	**(2,078)**	(1,038)
- Trade and other receivables	**(51,221)**	(118,153)
- Trade and other payables	**68,306**	58,750
Cash generated from operating activities	**485,069**	366,169

16 Income tax expense

Income tax expense is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used for 2014 is 25% (2013: 25%).

During the period, the Group recognised a current tax charge of US$ 90.9 million (1H 2013: US$ 70.2 million) and a deferred tax charge of US$ 14.1 million (1H 2013: US$ 18.2 million).

During 2008, the effective tax rate applicable to the Group's operations in Turkmenistan was increased by 5% to 25% by the Hydrocarbon Resources Law of 2008. The Group has continued to apply this rate in determining its tax liabilities as at 30 June 2014. 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 prior periods are affected by this increase. A provision of US$ 11.1 million has been made in respect of the additional tax that could become payable if the increased tax rate were applied to prior periods on an expected probability basis.

Notes to the interim financial information (continued)

17 Related party transactions

a) Transactions and balances

The Company's largest shareholder is Emirates National Oil Company Limited (ENOC) L.L.C ("ENOC"), which owns approximately 53.95% of the Company's ordinary share capital. ENOC is ultimately a wholly owned entity of the Government of Dubai. Two members of the Board, Mr. Ahmad Sharaf and Mr. Mohammed Al Ghurair are nominees of ENOC. All transactions with related parties are on an arm's length basis.

(i) The following transactions are with ENOC and its subsidiaries:

	Unaudited 6 months ended 30 June 2014 US$'000	Unaudited 6 months ended 30 June 2013 US$'000
Trading transactions:		
Sale of services	**233**	213
Purchase of services	**1,448**	417

	Unaudited 30 June 2014 US$'000	31 December 2013 US$'000
Period end balances:		
Receivables	**246**	653
Payables	**253**	8

(ii) The following transactions are with financial institutions under common control and associates:

	Unaudited 6 months ended 30 June 2014 US$'000	Unaudited 6 months ended 30 June 2013 US$'000
Other transactions:		
Finance income	**739**	568

	Unaudited 30 June 2014 US$'000	31 December 2013 US$'000
Period end balances:		
Term deposits	**180,636**	90,368
Abandonment and decommissioning funds	**611,341**	543,932
Cash and cash equivalents	**4,569**	6,065

b) Key management compensation

	Unaudited 6 months ended 30 June 2014 US$'000	Unaudited 6 months ended 30 June 2013 US$'000
Non-executive directors' fees	**576**	429
Salaries and short-term benefits	**2,227**	1,773
Short term benefits	**2,803**	2,202
End of service benefits	**296**	142
Share-based payments	**516**	435
	3,615	2,779

Notes to the interim financial information (continued)

18 Commitments and contingencies

a) Capital commitments

(i) The capital commitments at 30 June 2014 were as follows:

	Unaudited 6 months ended 30 June 2014	31 December 2013
	US$'000	US$'000
Contracted for but not yet incurred	**1,329,212**	1,226,409
Other commitments	**115,132**	89,890
	1,444,344	1,316,299

Other commitments includes the Group's share of signature bonus, minimum work and expenditure obligations in Iraq, Afghanistan, Egypt and Philippines.

b) Operational commitments

Irrevocable letters of guarantees of US$ 68.1 million were in issue at 30 June 2014 towards commitments for supply of equipment and services (31 December 2013: US$ 43.7 million).

At 30 June 2014, the Company had a continuing guarantee for US$65 million (31 December 2013: US$65 million) for trade finance facilities of subsidiary undertakings.

c) Taxation

At 30 June 2014, there was a contingent liability with respect to taxation. Details of the contingent liability are outlined in Note 16.

d) Others

The Group's operations in Turkmenistan, conducted through Dragon Oil (Turkmenistan) Ltd., are undertaken in accordance with the terms of the PSA, which became effective on 1 May 2000 between Dragon Oil (Turkmenistan) Ltd. and the Turkmenistan government. The agreement determines the rights and obligations of Dragon Oil (Turkmenistan) Ltd, inter alia, to carry out development activities through work plans and annual budgets. It also grants various tax, currency control and related concessions. However, there are no financial commitments, other than those disclosed above, arising from the terms of the PSA.

However, the Group's operations in various geographies are ultimately subject to the political, socio-economic and legal uncertainties arising from the political and legal systems in those countries.

19 Statutory accounts

The interim financial information presented in this report does not represent full statutory accounts. Full statutory accounts for the year ended 31 December 2013, prepared in accordance with IFRS, as adopted by the European Union, and containing an unqualified audit report, have been delivered to the Registrar of Companies.

20 Subsequent event

The Board has declared an interim 2014 dividend of US cents 20 per share for the half year to 30 June 2014 to be paid on 15 September 2014 to shareholders on the register on 15 August 2014 (1H2013: US cents 15 per share). No liability has been recognised as at 30 June 2014.

Directors' responsibilities statement

We, the Board of Directors, confirm our responsibility for the half year report and that to the best of our knowledge:

(a) the interim financial information comprising the condensed Group balance sheet, the condensed Group income statement, the condensed Group statement of comprehensive income, the condensed Group statement of changes in equity, the condensed Group cash flow statement and related notes 1 to 20 have been prepared in accordance with IAS 34 as adopted by the European Union.

(b) the interim management report includes a fair review of the information required by:

(i) Regulation 8(2) of the Transparency (Directive 2004/109/EC) Regulations 2007, being an indication of important events that have occurred during the first six months of the current financial year and their impact on the interim financial information; and a description of the principal risks and uncertainties for the remaining six months of the year; and

(ii) Regulation 8(3) of the Transparency (Directive 2004/109/EC) Regulations 2007, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

The Directors are confident that the Group will have adequate financial resources to continue in operational existence for the foreseeable future after reviewing the Group's plans for 2014 and future years. We have therefore continued to adopt the going concern basis in preparing the accounts.

The directors of Dragon Oil plc are listed in the Dragon Oil plc Annual Report for the year ended 31 December 2013. A list of current directors is maintained on the Dragon Oil plc website www.dragonoil.com.

The maintenance and integrity of the Dragon Oil plc web site is the responsibility of the directors; the work carried out by the auditor does not involve consideration of these matters and, accordingly, the auditor accepts no responsibility for any changes that may have occurred to the interim report since it was initially presented on the web site. Legislation in the Republic of Ireland governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.

On behalf of the Board

Justin Crowley
Director

Saeed Al Mazrooei
Director
Date: 4 August 2014

INDEPENDENT REVIEW REPORT TO DRAGON OIL PLC

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half year financial report for the six months ended 30 June 2014 which comprises the condensed Group balance sheet, the condensed Group income statement, the condensed Group statement of comprehensive income, the condensed Group statement of changes in equity, the condensed Group cash flow statement and the related explanatory notes 1 to 20. We have read the other information contained in the half yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with guidance contained in International Standards on Review Engagements 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our work, for this report, or for the conclusions we have formed.

Directors' Responsibilities

The half year financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half year financial report in accordance with the Transparency (Directive 2004/109/EC) Regulations 2007 and the Transparency Rules of the Central Bank of Ireland.

As disclosed in note 2, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half year financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our Responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half year financial report based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom and Ireland. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half year financial report for the six months ended 30 June 2014 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Transparency (Directive 2004/109/EC) Regulations 2007 and the Transparency Rules of the Central Bank of Ireland.

Ernst & Young
Dublin

4 August 2014

Supplementary information - Movement in oil, condensate and gas reserves and resources (Not reviewed by auditors)

PROVED AND PROBABLE COMMERCIAL RESERVES AND RESOURCES

	Working interest			Entitlement		
	Oil and condensate mmbbl	Gas bscf	Total Petroleum mmboe	Oil and condensate mmbbl	Gas bscf	Total Petroleum mmboe
Commercial reserves - Turkmenistan						
As at 1 January 2014	675	1,422	912	309	561	403
Production	(13)	-	(13)	(7)	-	(7)
Revision	-	(75)	(13)	(4)	(29)	(9)
As at 30 June 2014	662	1,347	**886**	298	532	**387**
Contingent resources- Turkmenistan						
As at 1 January and 30 June 2014	69	1,337	**292**	-	-	**-**

Notes:

1. Commercial reserves are estimated quantities of proven and probable oil and gas reserves that available data demonstrates, with a specified degree of certainty, to be recoverable in future from known reservoirs that are considered commercially producible. The working interest of the proved and probable commercial reserves is based on a reserves report produced by an independent engineer. Reserves estimates are reviewed by the independent engineer based on significant new data or a material change with a review of the field undertaken generally every year. The Group’s entitlement to the proved and probable commercial reserves are derived based on the terms of the PSA and certain assumptions made by the management in respect of estimates of oil and gas reserves, future oil and gas prices, future development costs including the cost of drilling, infrastructure facilities, signing of the gas sales agreement and other capital and operating costs.

2. Contingent resources relate to resources in respect of which development plans are in the course of preparation or further evaluation is under way with a view to development within a foreseeable future.