

PROPOSAL FOR DECISIONS

7. Amendment of the Articles of Association's article on notices of annual general meetings

The Board of Directors proposes that the deadline for notices of annual general meetings given in Article 6 be extended from 1 to 2 weeks in order for the Articles to be in accordance with the requirements of Section 5-10 of the Norwegian Act relating to Public Limited Companies (Allmennaksjeloven).

It is proposed that article 6 be amended as follows:

"Notice of annual general meetings will be given by announcement in two national newspapers and by written notification of all shareholders sent to their registered addresses not later than two weeks before the date of the annual general meeting."

8. Authorisation of the Board of Directors to enter into agreements and meet the terms of agreements with individual directors or their companies concerning remuneration.

On 1 December 2000 the company entered into severance pay agreements with the three then directors. After Jan Drange retired, a dispute arose concerning his claim for NOK 7.6 million in severance pay with the addition of 12 per cent interest per year from May 2002. The severance pay agreements with the two remaining directors have been cancelled. An agreement has been entered into with them and/or their companies for payment of in all NOK 5,082,000 for consultancy work carried out.

The Board of Directors ask that the Annual General Meeting approve the agreements with Petroteam AS, controlled by Farouk Al-Kasim and Anders Farestveit, and authorise the Board of Directors to pay Jan Drange maximum the same amount as is claimed in the case before Oslo district court including interest and costs, or to reach an amicable settlement within the same limits.

Proposal for decision:

"The Board of Directors presented to the Annual General Meeting the agreements entered into between the Board of Directors and Petroteam AS, controlled by Farouk Al-Kasim and Anders Farestveit, for payment of special fees. The Annual General Meeting approved the agreements.

The Annual General Meeting authorises the Board of Directors to pay Jan Drange maximum the same amount as is claimed in the case before Oslo district court including interest and costs, or to reach an amicable settlement within the same limits."

The company's Board of Directors has been given two authorisations to increase the company's share capital by issuing up to 6,705,000 new shares of a nominal value of NOK 4 each, at prices and other subscription terms as determined by the Board of Directors.

The Board of Directors wishes to ask for new authorisations, however, in the form of one authorisation.

Since 1996 the company's growth has been financed through own operations and a small number of private placings. In the future, to the extent possible the company wishes to finance its further growth through borrowings and other debt financing.

To ensure the required financial flexibility, the Board of Directors asks for the Annual General Meeting's authorisation to increase the company's share capital by up to 7,080,000 shares to enable private placings directed towards owners of other companies or to acquire assets in the company's core activities against full or partial settlement in shares.

The authorisation of the Board of Directors covered by the decision proposed in this item 9 will replace the existing authorisations of the Board of Directors granted by the Annual General Meeting on 21 May 2002.

The authorisation will also cover private placings and the granting of options to company directors, executives, key personnel, project personnel, resource persons or companies controlled by such persons. The authorisation should also cover possible listings of the company's shares on international stock exchanges.

Proposal for decision:

"In accordance with Section 10-14 of the Norwegian Act relating to Public Limited Companies (Allmennaksjeloven), the Board of Directors is given new authorisation to increase the company's share capital by up to NOK 28,320,000 by issuing up to 7,080,000 shares of a nominal value of NOK 4 each, at price and other subscription terms as determined by the Board of Directors.

Up to 1,230,000 shares may be granted to company executives, key personnel, project personnel, resource persons or companies controlled by such persons, at prices and other subscription terms as determined in more detail by the Board of Directors. In addition, up to 450,000 shares may be granted to the company's directors and managing director at the terms appearing from Appendix 1.

The Board of Directors is authorised to amend Article 4 of the company's Articles of Association correspondingly.

The Board of Directors may depart from the shareholders' pre-emptive right to subscribe for new shares.

The authorisation is granted for two years from the date of the Annual General Meeting. The authorisation will also cover capital increase against contributions other than money, also in connection with mergers according to Section 13-5 of the Norwegian Act relating to Public Limited Companies. (Allmennaksjeloven). The shares entitle to dividend in the accounting year in which the authorisation is used. The authorisation will replace the two authorisations to increase the company's share capital given to the Board of Directors at the Annual General Meeting on 21 May 2002."

10. New convertible loan

To the extent possible the Board of Directors wishes to finance the company's further growth through borrowings and other debt financing. To ensure the greatest possible flexibility for the company, the Board of Directors proposes that the Annual General Meeting authorise it to issue a convertible loan according to Section 11-8 of the Norwegian Act relating to Public Limited Companies (Allmennaksjeloven). As deemed expedient by the Board, the loan may be taken up in NOK or in one of the following currencies:: (i) USD, (ii) GBP, (iii) EUR, or (iv) another practical currency as determined in more detail by the Board of Directors.

The Board of Directors may depart from the shareholders' pre-emptive right to subscribe for the loan.

Proposal for decision:

"In accordance with Section 11-8 of the Norwegian Act relating to Public Limited Companies. (Allmennaksjeloven) the Board of Directors is authorised to issue a convertible loan. The authorisation is granted on the following conditions:

1. The loan may constitute an amount corresponding to maximum USD 25 million. Depending on what appears to be commercially expedient, however, the Board of Directors may issue the loan in one of the following currencies: (i) USD, (ii) GBP, (iii) EUR, or (iv) another practical currency as determined in more detail by the Board of Directors. If the loan is issued in a currency other than NOK, the nominal loan amount in the foreign currency will be translated using the average exchange rate provided by the Central Bank of Norway on the day preceding the date of the Board of Directors' decision.
2. When the loan is converted, the share capital may be increased by up to NOK 60,000,000 by the issuance of up to 15,000,000 shares of a nominal value of NOK 4.00 each.
3. If the loan is subscribed in a currency other than NOK, and on the conversion date the exchange rate of the relevant currency means that full conversion will necessitate the issuance of a higher number of shares than is specified in point 2, the excess amount shall be paid back.

6. The Board of Directors may depart from the shareholders' right to subscribe for the convertible loan."

11. Granting of options

In recent years the company's Annual General Meeting has authorised the Board of Directors to increase the company's share capital by inter alia granting options to the company's directors, executives and project personnel. These authorisations have not been fully used.

The company has established connections with new central personnel in recent years, and it is considered necessary to continue the company's use of means in order to keep such personnel and provide the right incentives. On this background the Board of Directors at the Annual General Meeting on 21 May 2002 was authorised by the company to award options for up to 1,705,000 shares to the company's directors, executives, key personnel, project personnel or companies controlled by same, at rates and other subscription terms as determined in more detail by the Board of Directors and the Annual General Meeting. The Board asks that this authorisation be maintained for the company's directors, executives, key personnel, project personnel, resource persons or companies controlled by same, as it is considered a very important means when it comes to keeping and attracting such personnel.

DNO ASA has a small administration. The value of the company is created by its competence and by the business ideas and projects launched and implemented by the above-mentioned personnel. The company's success, therefore, depends on its ability to keep and motivate this personnel, who generate a considerable share of the added value.

The instruments used to attract, motivate and award this personnel consist of an options programme, mainly based on individual options awards according to agreements between the Board of Directors and the personnel.

The Board of Directors proposes that the existing options programme be replaced by the options programme appearing from Appendix 1 with the addition of 200 000 shares, which is somewhat lower than the proposal adopted at last year's Annual General Meeting.

The Board of Directors sees it as desirable to continue and follow up the existing strategy of granting options. In this connection the Board of Directors asks for the Annual General Meeting's consent to the options commitments appearing from Appendix 1 and to the possible allotment of another 200,000 options to other resource persons.

Proposal for decision:

"The Board of Directors presented its proposal for options programme to the company's Annual General Meeting. The Annual General Meeting consented to the Board of Directors' allotments, and approved the Board of Directors' proposed options programme, cf. Appendix 1 with the addition of options for 200,000 shares which may be allotted to other resource

12. Authorisation of the Board of Directors to acquire treasury shares

At the Annual General Meeting on 21 May 2002, the Board of Directors was authorised to acquire up to 10 per cent of the company's existing share capital. The Board of Directors is of the opinion that it may be desirable to acquire treasury shares. According to the Board of Directors, acquisition of treasury shares may also be used to acquire other oil companies and/or other oil licences, and to fulfil the company's options programme within the framework described above, or in connection with acquisition of interests in companies, etc.

The Board of Directors asks that its authorisation to acquire treasury shares be maintained.

Acquisition of treasury shares will not significantly affect the company's equity situation. When making use of the authorisation, the Board of Directors will meet the requirement for satisfactory equity given in Section 3-4 of the Norwegian Act relating to Public Limited Companies (Allmennaksjeloven).

Proposal for decision:

"The Annual General Meeting authorises the Board of Directors to acquire treasury shares in accordance with Section 9-4 of the Norwegian Act relating to Public Limited Companies (Allmennaksjeloven) on the following conditions:

- 1) The authorisation is granted for a period of 18 months counting from the date of the decision of the Annual General Meeting.
- 2) The authorisation may be used to acquire treasury shares of a nominal value of in all NOK 21,600,000, that is, a total of 5,400,000 shares of a nominal value of NOK 4.- each. The company's holding of treasury shares, however, may not at any given time exceed 10 per cent of the company's share capital.
- 3) The highest and lowest price that may be paid is NOK 40 and NOK 0,10, respectively.
- 4) The Board of Directors will be free to decide method of acquisition and any subsequent sale of the shares. The Board of Directors may depart from the shareholders' pre-emptive right when selling the shares, cf. Section 10-5 of the Norwegian Act relating to Public Limited Companies.
- 5) The Board of Directors may use the authorisation after an offer has been made to the shareholders according to chapter 4 of the Securities Trading Act and before the subscription period has expired and the result is clear, cf. Section 4-17, subsection 2 of the Securities Trading Act."

13. Indemnification of directors and executives

arrangements. The directors and executives regard as unreasonable that their personal financial situation constitute an element of the company's activity. The directors and executives therefore consider it right to propose that the company indemnify them for any liability imposed on the directors and executives during the normal operations of the company within the limits following from the Norwegian act relating to Public Limited Companies (Allmennaksjeloven).

Proposal for decision:

"To the extent possible within applicable law, the company will indemnify its directors and executives against liability and any kind of disbursement relating to any civil law, criminal law and administrative processes, including the preparation and approval of the annual financial statements, to which the directors and executives may be subjected through their work for the company, including liability towards the company."

14. Election of board of directors

The proposal will be presented at the Annual General Meeting.

15. Reduction of share premium account and transfer to other reserves

To inter alia increase the company's possibility to distribute dividend, it is proposed to reduce the company's share premium account by NOK 431,532,808 and to transfer the same amount to other reserves. Because of the provision of Section 3-2 of the Norwegian Act relating to Public Limited Companies (Allmennaksjeloven), the conversion must take place according to the provisions relating to reduction of capital found in chapter 12 of the same act, cf. enclosed declaration from auditor.

Proposal for decision:

"The company's share premium account is reduced by NOK 431,532,808 and the same amount is transferred to other reserves."

16. Decision on distribution of dividend for 2003

During preparation of the company's annual financial statements the Board of Directors found that it could not recommend any distribution of dividend. The Board of Directors has subsequently concluded that a basis may exist for some dividend due to better market conditions than expected, and will propose to the Annual General Meeting that an extraordinary general meeting be convened at the end of August to decide on the distribution of dividend.

Proposal for decision:

APPENDIX 1

Survey of shares and options held by directors and executives on 31 December 2002:

	Options	Exercise price
Anders Farestveit, Vice-Chairman	112 500	20.45
Helge Eide, Managing Director	225 000	21.50
Farouk Al-Kasim, Director	112 500	20.45
Haakon Sandborg, Chief Financial Officer	100 000	20.45
Torstein Sannes, General Manager, Det Norske Oljeselskap AS	225 000	20.45
Other executives	705 000	20.45
Total shares/options	1 480 000	

A total of 1 480 000 options have been issued at an average exercise price of NOK 20.61.