

DANA GAS PJSC

Report of the Directors

The Board of Directors of Dana Gas (“Dana Gas” or the “Company”) are pleased to announce the consolidated financial results of the Company, its subsidiaries and joint arrangements (together referred to as the “Group”) for the period ended 31 March 2017.

Principal Activities

Dana Gas was incorporated in the Emirate of Sharjah (“Sharjah”), United Arab Emirates, as a public joint stock company on 20 November 2005 pursuant to incorporation decree number 429/2005 issued by the Ministry of Economy.

Dana Gas is the Middle East’s first and largest private sector natural gas company. The Group currently operates in the MENASA (Middle East, North Africa & South Asia) Region across the natural gas value chain; from exploration and production, through gas processing and transportation, to the distribution, marketing and utilisation of gas as feedstock and fuel to the petrochemical, industrial and the power sectors. Since its establishment, the Company has grown to be a regional natural gas Company with presence in the United Arab Emirates, Egypt, Bahrain, and the Kurdistan Region of Iraq (KRI) and headquartered in Sharjah, United Arab Emirates.

Results for the quarter ended 31 March 2017

During the quarter ended 31 March 2017, the Company earned gross revenues of USD 118 million (AED 432 million) as compared to USD 82 million (AED 301 million) in the first quarter of 2016, an increase of 44% equally from increased production in Egypt and higher realised hydrocarbon prices during the period.

The Group’s share of production for the first 90 days was 6.3 million barrels of oil equivalent [69,900 barrels of oil equivalent per day (“boepd”)], an increase of 16% compared to corresponding quarter production of 5.5 million boe (60,500 boepd). Production in Egypt, Kurdistan and Zora was higher by 24%, 4% and 37%, respectively.

Realised prices were up by 43% as compared to the same period last year. Realised price averaged USD 47/bbl for condensate and USD 34/boe for LPG compared to USD 30/bbl and USD 29/boe respectively in Q1 2016.

The Group achieved a net profit after tax of USD 11 million (AED 40 million) as compared to USD 6 million (AED 22 million) in Q1 2016, an increase of 83%. Current year profitability reflects increased revenue, reduction in operating cost and recognition of USD 5 million (AED 18 million) of “Other Income”. In Q1 2016, net profit included incremental interest of USD 8 million (AED 29 million) which was reversed at year end, following Tribunal order allowing interest only at Libor plus 2%. Excluding this, net profit for Q1 2016 would have been a loss of USD 2 million (AED 7 million) against a net profit of USD 11 million (AED 40 million) in Q1 2017

Earnings before interest, tax, depreciation and amortisation (“EBITDA”) in Q1 2017 increased to USD 69 million (AED 252 million) compared to USD 47 million (AED 172 million) in Q1 2016.

Liquidity and Financial Resources

Cash and bank balance at period end stood at USD 298 million (AED 1,092 million), similar to year-end balance of USD 302 million (AED 1,107 million). The Group collected a total of USD 48 million (AED 176 million) during the period with Egypt, Kurdistan Region of Iraq (KRI) and U.A.E. contributing USD 13 million (AED 48 million), USD 31 million (AED 113 million) and USD 4 million (AED 15 million), respectively. Subsequent to quarter end, in early May, the Company prepaid the Zora outstanding loan amounting to USD 60 million (AED 220 million) plus applicable interest/costs.

On 3 May 2017 the Company announced that, due to continued challenges it faces around cash collections and the resulting need to focus on short to medium term cash preservation, it will commence restructuring discussions with holders of both of its Sukuk dated 8th May 2013. Accordingly, Dana Gas invites Sukuk holders to form a committee to represent them and contact the Company.

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Business Update

In line with its outlined strategy, the Dana Gas Group continues to focus on maximising the value of its existing hydrocarbon assets and projects, while pursuing growth through a strategy of organic exploration opportunities in our heartland areas and new business development in the upstream and midstream value chains. We continue to balance our capital expenditure with the available sources of cash to ensure we maintain a robust financial position.

Reserves & Resources

(a) Dana Gas Egypt

Gaffney, Cline & Associates (GCA), a leading advisory firm carried out an independent evaluation of Dana Gas Egypt's hydrocarbon reserves as at 31 December 2016. Following this review, the Group's gross proved reserves (1P) as at 31 December 2016 were assessed at 89 MMboe (31 December 2015: 83 MMboe); an increase of 7 %. The gross proved and probable reserves (2P) as at 31 December 2016 were estimated at 132 MMboe (31 December 2015: 130 MMboe); an increase of 2 % and the gross proved, probable and possible reserves (3P) as at 31 December 2016 were estimated to be 184 MMboe (31 December 2015: 185 MMboe); a decrease of 1%. The 2P reserve replacement ratio for 2016 was 115%.

(b) Pearl Petroleum Company Limited

As reported previously, Dana Gas and Crescent Petroleum, joint operators of Pearl Petroleum Company Limited ("PPCL"), estimates that the P50 total geologically risked¹ resources of petroleum initially in-place (PIIP) of the Khor Mor and Chemchemical Fields at 75 Tscf (of wet gas) and 7 billion barrels of oil.

PPCL appointed Gaffney Cline Associates ("GCA"), to carry out a certification of the reserves for these fields as at 31st December 2015 based on a comprehensive data set comprising ca. 1200 km 2D seismic, the 11 wells drilled in the two fields to date plus field production data over a period of seven years.

In their report dated April 2016, GCA provided the following reserves estimates for both fields²:

- Proved plus Probable (2P) gas and condensate reserves for Khor Mor are 8.5 Tscf and 191 MMbbl respectively of which Dana Gas' 35% share equates to 3 Tscf of dry gas and 67 MMbbl of condensate.
- For Chemchemical, Proved plus Probable (2P) gas and condensate reserves are 6.6 Tscf and 119 MMbbl respectively, with Dana Gas' 35% share being 2.3 Tscf of dry gas and 42 MMbbl of condensate.

The above figures are based on data from 2 of the 12 defined compartments in the Khor Mor Field and 1 of the 3 compartments in the Chemchemical Field. Total Dana Gas share of the Khor Mor and Chemchemical 2P reserves is therefore 5.3 Tscf gas and 109 MMbbls condensate, equivalent to 990 MMboe.

The balance between these 2P reserves figures and the joint operator's estimated risked initially in place (gas and oil) resources (PIIP) are classified as Contingent Resources³ and Prospective Resources⁴.

GCA's report confirms Dana Gas' and Crescent Petroleum's belief that Khor Mor and Chemchemical have the potential to be the largest gas fields in the KRI and indeed in the whole of Iraq and thus makes them world class assets.

¹ Risked PIIP figures have been calculated by means of a stochastic aggregation using GeoX software with risk factors accounting for geological uncertainties calibrated by surrounding producing oil and/or gas fields.

² The reported hydrocarbon volumes are estimates based on professional judgment and are subject to future revisions, upwards or downwards, as a result of future operations or as additional information becomes available.

³ Those quantities of petroleum estimated to be potentially recoverable but not yet considered mature enough for commercial development due to one or more contingencies.

⁴ Those quantities of petroleum estimated to be potentially recoverable from undiscovered accumulations by future development projects.

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Reserves & Resources (continued)

(c) Sharjah Western Offshore – Zora Field

Following signing of concession agreement with Ajman in January 2014, Dana Gas has a 100% working interest in the Zora field which spans the territorial waters of Sharjah and Ajman. Gaffney, Cline & Associates carried out an independent evaluation of Sharjah Western Offshore – Zora Field’s hydrocarbon reserves as on 31 December 2016. Following this review, the Group’s gross proved reserves (1P) as at 31 December 2016 were assessed at 17 MMboe (31 December 2015: 16 MMboe). The gross proved and probable reserves (2P) as at 31 December 2016 were estimated to be 33 MMboe (31 December 2015: 31 MMboe) and the gross proved, probable and possible reserves (3P) as at 31 December 2016 were estimated to be 65 MMboe (31 December 2015: 64 MMboe).

E&P Operations

a) Egypt E&P Operations

The Company production in Egypt for the first 90 days of operations in 2017 was 3.7 MMboe i.e. averaging 40,950 boepd (March 2016: 3.0 MMboe, i.e. averaging 33,000 boepd) an increase of 24% over the corresponding period. The higher production is a result of increased drilling activities in 2016 which led to additional reserves for the Nile Delta fields and reflects Dana Gas commitment made under the Gas Production Enhancement Agreement (“GPEA”).

In Egypt, the Company collected USD 13 million (AED 48 million), and hence realised just over 41% of the quarter’s revenue. At period end the trade receivable balance increased to USD 283 million (AED 1,037 million) from USD 265 million (AED 971 million) at end of 2016. Subsequent to the period end, the Company achieved an important milestone with the first international sale of condensate under the GPEA. The first cargo of approximately 150,000 barrels of Wastani condensate was loaded on 15 April 2017. The buyer issued a letter of credit under which payment amounting to USD 7.2 million will be made directly to the Company in USD. The cargo is the first to be exported by the Company under the GPEA signed with the Egyptian Government in August 2014. Cash generated from the export of Government’s share of the incremental condensate will be used to pay down the outstanding receivables owed to the Company by the Egyptian Government.

During the period, the BP operated Mocha-1 exploration well in Block 3 was completed. It reached total depth at 5,940 metres, making it the deepest onshore Nile Delta well drilled to date. Whilst the Messinian objective encountered wet gas, the primary Oligocene target did not encounter gas in commercial quantities and the well has been P&A’ed. Under the terms of the agreement signed in June 2015, BP agreed to carry Dana Gas for its 50% share of the cost of the well. Consequently, Dana Gas has achieved its objective of drilling this important calibration well at no cost to itself.

b) Pearl Petroleum Company Limited (KRI) E&P Operations

In April 2007, the Group entered into agreements with the Kurdistan Regional Government of Iraq for developing the significant petroleum (including gas) resources in the Khor Mor and Chemchamal fields. Since then, the focus has been on developing, processing and transporting natural gas from the Khor Mor Field including processing and extracting LPG and condensate and providing natural gas supplies to domestic power generation plants near Erbil and Sulaimaniya. Further development of both fields is planned following resolution of the ongoing legal dispute. As envisaged under the agreements, such further development is expected to provide significant natural gas supplies for future expansion of power generation and local industries as well as for export and sale abroad as and when the political circumstances permit.

On 27 November 2015, Dana Gas and Crescent sold an equity interest of 5% each in Pearl Petroleum to RWE Middle East Holding BV (“RWE”). The shareholding interest in Pearl Petroleum is now as follows: Dana Gas: 35%, Crescent: 35%, OMV: 10%, MOL: 10% and RWE: 10%.

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E&P Operations (continued)

b) Pearl Petroleum Company Limited (KRI) E&P Operations (continued)

Dana Gas's share (35%) of gross production in the KRI for the first 90 days of operations in 2017 was 2.4 MMboe, i.e. averaging 26.5 thousand BOE per day (March 2016: 2.3 MMboe, averaging 25.5 thousand BOE per day).

Dana Gas share of collections for the period stood at USD 31 million (AED 113 million). At period end, Dana Gas' 35% share of trade receivable balance stood at USD 712 million (AED 2,610 million) – (2016: USD 713 million / AED 2,613 million).

c) Zora Gas Field

The Zora gas field lies partly in the Sharjah Western Offshore Concession area and extends into the adjacent Ajman Concession area with approximately 50% of the volume on each side as agreed under the initial unitization agreement. The field produces slightly sour gas via an unmanned platform in approximately 24 meters of water depth located about 33km offshore. The platform is connected by means of 12" subsea and onshore pipeline system to a gas processing plant located within Sharjah Hamriyah Fee Zone.

The gas plant has been in continuous production since 28 February 2016, currently delivering approximately 10 mmscfd sales gas to Sharjah power station and producing 120 bbl/day of condensate. Production from the Zora field during the quarter was 163,710 boe or 1,819 boepd (March 2016: 119,273 or 1,300 boepd). As the current production rate of the Sharjah-2 well has continued to decline a detailed geo-technical study is being carried out, based on production data to determine the range of well intervention options which could enhance production and to assess their economic viability. This work is now being further extended to evaluate possible future options for further development and to determine the gas price required to make such further development economically viable. Any final decision on future expenditure will also be subject to the outcome of negotiations on sales gas price.

During the period, collection stood at USD 4 million (AED 15 million). At period end, the trade receivable balance stood at USD 2 million (AED 7 million) (31 December 2016: USD 2 million / AED 7 million).

UAE Gas Project

The UAE Gas Project to process and transport imported gas continues to await the commencement of gas supplies from the National Iranian Oil Company ("NIOC") to Crescent Petroleum. Dana Gas has a 35% interest in Crescent National Gas Corporation Limited (CNGCL) which is entitled to market the gas and owns 100% of Sajaa Gas and UGTC, the entities that own the offshore riser platform, the offshore and onshore pipelines and the sour gas processing plant.

Egypt Gulf of Suez – Gas Liquids Extraction Plant

The Company, through its subsidiary Danagaz Bahrain, is a 26.4% owner (effective) in Egyptian Bahraini Gas Derivative Company (Joint Venture) that has built, owns and operates a Natural Gas Liquids Extraction Plant in Egypt in partnership with the Egyptian National Gas Company (EGAS) and the Arab Petroleum Investments Corporation (APICORP). The plant has a capacity to process 150 mmscfd of gas and has produced 2,250 boepd of propane (DG Share 26.4%: 594 boepd) and 115 boepd of butane (DG Share 26.4%: 30 boepd) during the period.

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Arbitration Cases

On 21 October 2013, Dana Gas, along with Crescent Petroleum and Pearl Petroleum (the Consortium which holds petroleum rights in the KRI), together “the Claimants”, commenced international arbitration proceedings at the London Court of International Arbitration (LCIA), in accordance with the dispute resolution mechanism of the agreement signed with the Kurdistan Regional Government (KRG) on 04 April 2007 and governed by English Law.

With effect from July 2013, the date upon which the Claimants initiated mediation proceedings with the LCIA, the KRG ceased making any payments for the liquid products that it continued to lift and sell from the Khor Mor plant. On 21 March 2014, the Consortium filed an interim measures application with the Tribunal, which was successful on 10 July 2014 when the Tribunal ordered the KRG to restore the previous regular payments to the Consortium as of 21 March 2014, the date of the application, and until the case is concluded.

The KRG failed to comply with and challenged the Tribunal’s order, although from September 2014, the Company was permitted to commence local sales of condensate and LPG to third parties. On 17 October 2014, the Tribunal dismissed the KRG’s challenge and re-affirmed its order for interim measures of 10 July 2014. In addition, the Tribunal ordered the KRG to pay the Consortium USD 100 million within a timeframe of 30 days (by 17 November 2014) in the form of a Peremptory Order. In default of its legal obligations, the KRG failed to make payment by the stipulated deadline. Consequently, the Tribunal's order became peremptory in nature, enabling its enforcement by the English High Court. On 12 December 2014, and with the Tribunal’s permission, an application to the High Court was made for the enforcement of the order, with the prospect of sanctions being imposed on the KRG for non-compliance. The Court heard the Claimants’ application for the enforcement of the order during a hearing on 28 and 29 October 2015.

On 20 November 2015, the Court handed down its decision, in which it enforced the Peremptory Order and ordered the KRG to pay the Peremptory Order within 14 days. Following receipt of the judgment, the KRG applied to challenge the Court’s order, by way of seeking (1) a discharge of the Peremptory Order; (2) an appeal; and (3) alternatively, an extension of time to pay the Peremptory Order. At the same time as the KRG made its application it also applied to the Tribunal to discharge the Peremptory Order.

At the hearing before the Court on 17 December 2015, the Court decided to (1) adjourn the discharge application to allow the Tribunal to decide whether or not the Peremptory Order should be discharged; (2) refused permission for the KRG to appeal; and (3) extended the time for the KRG to pay the Peremptory Order to 26 February 2016. However, as a condition of this extension, the Court ordered the KRG to pay in the meantime 3 installments of USD 8 million each by 31 December 2015, 15 January 2016 and 19 February 2016 to the Consortium. All three instalments were paid.

The KRG also applied to the Tribunal to discharge the Peremptory Order, which was the subject of a short hearing before the Tribunal on 8 January 2016. The parties then went back before the English High Court on 5 February 2016, in which the Court dismissed the KRG’s discharge application and upheld the Peremptory Order. The KRG then applied to the English Court of Appeal for permission to appeal the High Court’s judgment. The hearing for permission took place on 12 May 2016, with the Court of Appeal refusing the KRG’s application and upholding the Peremptory Order.

Separately, in March 2016 the Claimants and the KRG independently reached an agreement whereby the Peremptory Order will be paid down by the KRG in monthly instalments. As at 31 March 2017, the KRG has paid the Claimants an amount of USD 68.35 million.

In relation to the arbitration proceedings on merits a one-week hearing took place in London commencing 20 April 2015 at which selected issues in the arbitration were considered.

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Arbitration Cases (continued)

On 3 July 2015, the Arbitral Tribunal issued a Partial Final Award dated 30 June 2015 (“First PFA”) confirming the Consortium’s contractual rights including a number of important issues addressed at the 20 April 2015 hearing. Among other things, the First Partial Final Award confirmed:

- The Consortium’s exclusive long-term rights to develop and produce gas and petroleum from both the Khor Mor and Chemchemical fields for the duration of the Contract, being not less than 25 years.
- The KRG’s contractual obligation to pay the Consortium for the produced condensate and LPG at international prices, including the pricing methodology for each.
- That Dana Gas and Crescent Petroleum were entitled to farm out part of their own interests to MOL and OMV, and that the KRG was not entitled to a share of the farm-out proceeds.

On 21 September 2015, a one-day hearing was held during which the Consortium made an application to the Tribunal for monetary award of USD 1.963 billion against the KRG, being the outstanding unpaid invoices (as of 30 June 2015) for the produced condensate and LPG calculated as per the pricing methodology determined by the Tribunal in the First Partial Final Award. The Tribunal considered the parties’ claims and their submissions. On 27 November 2015, the Tribunal handed down its Second Partial Final Award (dated 27 November 2015 and updated by Memorandum of Correction dated 20 January 2016) (“Second PFA”) in which it ordered the KRG to pay the Consortium within 28 days (i.e. by 26 December 2015) the sum of USD 1.963 billion for outstanding unpaid invoices for the produced condensate and LPG up to 30 June 2015, as per the pricing methodology already determined by the Tribunal in the First PFA.

The Second PFA is final, binding and internationally enforceable, and does not depend upon any further hearings or the parties’ outstanding claims and counter-claims that are yet to be determined in the arbitration.

The KRG has not yet paid the USD 1.963 billion⁵, and on 22 December 2015, launched a challenge to the Second PFA in the English High Court on the limited procedural grounds allowed for in arbitration. The hearing for the KRG’s challenge was set for 28-30 November 2016. However, on 20 October 2016 the KRG filed a notice of discontinuance in the High Court, formally withdrawing the challenge.

The Claimants’ remaining claims, including the Consortium’s substantial damage claim (currently quantified at no less than USD 17.5 billion, excluding interest) for wrongful interference with the Consortium’s long term rights over the Khor Mor and Chemchemical fields (as affirmed by the First PFA) initially fell to be determined (along with KRG’s various counterclaims against the Claimants) between 5-16 September 2016.

In July 2016, the hearing become bifurcated, with the result that the September 2016 hearing addressed the remainder of the Claimant’s claims but not the quantification of its claim for the wrongful late development of the Khor Mor and Chemchemical fields, along with the various counterclaims alleged by the KRG against the Claimants (save for its mirror counterclaim against the Consortium for wrongful late development).

On 13 February 2017, the Tribunal handed down its Third Partial Final Award dated 30 January 2017 (“Third PFA”).

Importantly, the Tribunal held in the Third PFA the following:

- a. **Delayed Development Claim:** The Tribunal found in the Claimants’ favor that the KRG wrongfully prevented the Claimants from carrying out appraisals and such other activities as are necessary to enable the Consortium to put forward a proposal for field development in respect of Khor Mor and Chemchemical and thereby delayed the Claimants opportunity to develop those areas. The Tribunal further declared that the KRG is not entitled to reject a proposal from the Consortium for a field development plan otherwise than on reasonable grounds in accordance with good petroleum industry practice.

⁵ Save that, as the Peremptory Order is included in the USD 1.96 billion awarded pursuant to the Second PFA, the amount of the Second PFA now outstanding has been reduced by USD 68.35 million.

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Arbitration Cases (continued)

- b. Update on Liquid Receivables: The Tribunal ordered the KRG to pay to the Claimants USD 121,095,282 in respect of condensate and LPG lifted by or on behalf of the KRG between 30 June 2015 and 31 March 2016.
- c. Entitlement to Interest: The Tribunal determined that the Claimants are entitled to interest on all overdue liquids receivables for each day that such sums are overdue at the rate of LIBOR + 2% compounded monthly.
- d. Dismissal of KRG Counter Claims: The Tribunal dismissed in totality all of the KRG's counterclaims against the Claimants and found that the project was delivered within a reasonable time.

The quantification of the Claimants' damages for the delayed development claim will be determined by the Tribunal at a further hearing scheduled for 12-20 September 2017.

The Gas Sales & Purchase Contract between Dana Gas' partner Crescent Petroleum and the National Iranian Oil Company (NIOC) for the supply of gas to the UAE has been the subject of international arbitration since June 2009. In August 2014, Dana Gas was notified by Crescent Petroleum that the Arbitral Tribunal has issued a Final Award on the merits, determining that the 25-year Contract between it and NIOC is valid and binding upon the parties, and that NIOC has been in breach of its contractual obligation to deliver gas under the Contract since December 2005.

On 18 July 2016, the English High Court finally dismissed the National Iranian Oil Company ('NIOC's) remaining grounds of appeal against the 2014 arbitration award. The 2014 arbitration award found in favour of Dana Gas' partner Crescent Petroleum Company International Limited and Crescent Gas Corporation Limited on all issues. NIOC appealed the 2014 arbitration award to the English High Court. Most of the grounds of appeal were previously heard and dismissed by the Court in March 2016. The finalisation of the appeal in July 2016 confirms that the 2014 award is final and binding and that NIOC has been in breach of its gas supply obligations since 2005.

Crescent Petroleum has informed Dana Gas that the final hearing of the remedies phase against NIOC for non-performance of the contract (including claims for damages and indemnities for third party claims) took place in November 2016. Due to a long post-hearing submissions timetable, the final damages award is expected in the second half of 2017.

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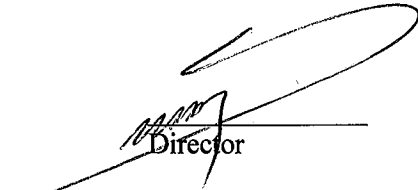
Board of Directors

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2. Mr. Hamid Dhiya Jafar, Chairman
3. Mr. Rashid Saif Al-Jarwan, Deputy Chairman
4. Dr. Patrick Allman-Ward, Chief Executive Officer
5. H.E. Sheikh Sultan Bin Ahmed Bin Sultan Al-Qasimi
6. Mr. Abdullah Ali Al Majdouie
7. Mr. Majid Hamid Jafar
8. Mr. Nasser Al Nowais
9. Mr. Said Arrata
10. Mr. Varoujan Nerguizian
11. Mr. Ziad Abdulla Ibrahim Galadari
12. Mr. Hani Abdulaziz Hussein
13. Ms. Fatima Obaid Al-Jaber

Auditors

The Company auditors, Ernst & Young, have issued their review report on the interim condensed consolidated financial statements of the Group.

On behalf of the Board of Directors



Director

11 May 2017