

Dana Gas PJSC and Subsidiaries

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 MARCH 2007 (UNAUDITED)

DANA GAS PJSC
Report of the Directors

Dana Gas PJSC ("Dana Gas" or the "Company") was incorporated in the Emirate of 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 and Planning.

The Directors submit their report together with interim condensed consolidated financial statements of the Company for the period from 1 January 2007 to 31 March 2007.

Principal activities

The Company is engaged in the business of the exploration, production, ownership, transportation, processing, distribution, marketing and sale of natural gas and petroleum related products, including the development of gas related projects and services.

In January 2007 the Company successfully completed the acquisition of Centurion Energy International Inc, a Toronto Stock Exchange and AIM, London listed company headquartered in Calgary, Canada, which is an international oil and gas company engaged in exploration and production principally in Egypt with activities and businesses also in Tunisia and the Sao Tome/Nigeria (Joint Development Zone). The aggregate acquisition cost was approximately AED 3,612 million and a retirement of AED 467 million in debt. Centurion will now form the Upstream (Exploration and Production) Division of the Dana Gas group.

In April 2007, the Company signed agreements with the Kurdistan Regional Government (KRG) in Iraq for the development, processing, and transportation of gas from the Khor Mor gas field to meet urgent power generation requirements and the appraisal of the Chemehemal discovered but undeveloped gas field. Dana Gas also signed a Strategic Alliance Protocol with the KRG whereby Dana Gas, its affiliate, Crescent Petroleum, and KRG will jointly review natural gas resources in the region with a view to their future development and utilization. The Kurdistan Gas City, a major gas-fed industrial complex, was also launched to promote private sector investment in petrochemical, metal and other heavy industry plants.

Results

The results of the Company for the period from 1 January 2007 to 31 March 2007 are set out on page 2 of the interim condensed consolidated financial statements.

Directors

The directors who served during the period were:

Mr. Hamid Dhiya Jafar, Executive Chairman
Dr. Adel Khalid Al-Sabeeh, Deputy Chairman
Sheikh Sultan bin Ahmed bin Sultan Al-Qasimi
Mr. Abdulaziz Hamad Al-Jomaih
Mr. Abdulla Nasser Huwaileel Al-Mansoori
Mr. Adib Abdullah Al-Zamil
Mr. Ahmed Rashid Al-Arbeed
Mr. Khalid Abdul Rahman Saleh Al-Rajhi
Mr. Khalid Bin Nasser Abdulla Al-Misnad
Mr. Majid Hamid Jafar
Mr. Rashad Mohammed Al-Zubair
Dr. Tawfeeq Abdulrahman Almoayed
Mr. Varoujan Nerguizian
Mr. Ziad Abdulla Ibrahim Galadari
Mr. Said Arrata, effective 6 February 2007

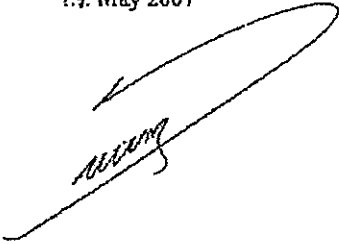


Auditors

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

On behalf of the Board of Directors

Director
14 May 2007

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REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF DANA GAS PJSC***Introduction***

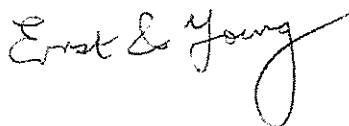
We have reviewed the accompanying interim consolidated balance sheet of Dana Gas PJSC (the "Company") and its subsidiaries ("the Group") as at 31 March 2007, the related interim consolidated statements of income, changes in equity and cash flows for the three-month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34 Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, 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 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 accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.



Signed by
Edward Quinlan
Partner
Registration No. 93

Sharjah
14 May 2007

Dana Gas PJSC and Subsidiaries

INTERIM CONSOLIDATED INCOME STATEMENT

Period ended 31 March 2007 (Unaudited)

	Note	Three months ended	
		31 March 2007 AED mm	31 March 2006 AED mm
Revenue		202	-
Less: royalties		(79)	-
Net revenue		123	-
Cost of sales		(18)	-
Gross Profit		105	-
General and administration expenses		(12)	(4)
Other income		13	55
Finance costs		(46)	-
Exploration expenses		(14)	-
		46	51
Depreciation and depletion		(54)	-
Gain from change in fair value of investment property		59	-
Profit before tax		51	51
Income tax expense		(30)	-
Profit for the period		21	51
Basic earnings per share (AED per share)	4	0.004	0.009
Diluted earnings per share (AED per share)	4	0.004	0.008

The attached explanatory notes 1 to 10 form part of these interim condensed consolidated financial statements.

Dana Gas PJSC and Subsidiaries

INTERIM CONSOLIDATED BALANCE SHEET

At 31 March 2007 (Unaudited)

	Notes	31 March 2007 AED mm	31 December 2006 AED mm (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		2,275	862
Other intangible assets		4,475	3,140
Goodwill	5	958	-
Investment property	6	136	-
		<u>7,844</u>	<u>4,002</u>
Current assets			
Bank balances and cash		488	2,839
Inventories		149	-
Accounts receivable and prepayments		296	2
		<u>933</u>	<u>2,841</u>
TOTAL ASSETS		<u>8,777</u>	<u>6,843</u>
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	7	6,000	6,000
Statutory reserve		81	81
Legal reserve		81	81
Translation reserve		2	-
Retained earnings		673	652
		<u>6,837</u>	<u>6,814</u>
TOTAL EQUITY		<u>6,837</u>	<u>6,814</u>
Non-current liabilities			
Finance lease obligations		3	-
Asset decommissioning obligation		17	-
		<u>20</u>	<u>-</u>
Current liabilities			
Accounts payable and accruals		190	25
Borrowings	8	1,723	-
Short term portion of finance lease obligations		2	-
Due to related parties		5	4
		<u>1,920</u>	<u>29</u>
TOTAL LIABILITIES		<u>1,940</u>	<u>29</u>
TOTAL EQUITY AND LIABILITIES		<u>8,777</u>	<u>6,843</u>

(Director)

(Director)

The attached explanatory notes 1 to 10 form part of these interim condensed consolidated financial statements.

Dana Gas PJSC and Subsidiaries

INTERIM CONSOLIDATED STATEMENT OF CASHFLOWS

Period ended 31 March 2007 (Unaudited)

	Notes	Three months ended	
		31 March 2007 AED mm	31 March 2006 AED mm
OPERATING ACTIVITIES			
Profit for the period		21	51
Adjustments for:			
Depreciation and depletion		54	-
Exploration expenses		14	-
Investment and finance income		(8)	(55)
Gain from change in fair value of investment property		(59)	-
Finance costs		46	-
Cash from (used in) operations before working capital changes		68	(4)
Accounts receivable and prepayments		(50)	(2)
Accounts payable and accruals		(40)	(28)
Due to related parties		1	(5)
Inventory		(3)	-
Net cash used in operating activities		(24)	(39)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(70)	(10)
Expenditure on other intangible assets		(30)	-
Investment in deposits with more than 3 months maturity		-	(2,030)
Investment and finance income		8	55
Acquisition of a subsidiary	5	(4,079)	-
Net cash used in investing activities		(4,171)	(1,985)
FINANCING ACTIVITIES			
Proceeds from short term borrowings	8	1,723	-
Repayment of long term debt		(46)	-
Finance cost		(41)	-
Net cash from financing activities		1,636	-
Decrease in cash and cash equivalents		(2,559)	(2,024)
Cash inflow on acquisition of a subsidiary	5	208	-
Cash and cash equivalents at the beginning of the period		2,839	2,887
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		488	863

The attached explanatory notes 1 to 10 form part of these interim condensed consolidated financial statements.

Dana Gas PJSC and Subsidiaries

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Period ended 31 March 2007 (Unaudited)

	Share capital AED mm	Statutory reserve AED mm	Legal reserve AED mm	Translation reserve AED mm	Retained earnings AED mm	Total AED mm
At 1 January 2007	6,000	81	81	-	652	6,814
Translation adjustment	-	-	-	2	-	2
Net income and expense recognised directly in equity	-	-	-	2	-	2
Profit for the period	-	-	-	-	21	21
Total income and expense for the period	-	-	-	2	21	23
Balance at 31 March 2007	<u>6,000</u>	<u>81</u>	<u>81</u>	<u>2</u>	<u>673</u>	<u>6,837</u>
At 1 January 2006	6,000	-	-	-	638	6,638
Profit for the period	-	-	-	-	51	51
At 31 March 2006	<u>6,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>689</u>	<u>6,689</u>

The attached explanatory notes 1 to 10 form part of these interim condensed consolidated financial statements.

Dana Gas PJSC and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2007

1 ACTIVITIES

Dana Gas PJSC ("Dana Gas" or the "Company") was incorporated in the Emirate of 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.

The Company and its Subsidiaries constitute the Group ("the Group"). The Group is engaged in the business of the exploration, production, ownership, transportation, processing, distribution, marketing and sale of natural gas and petroleum related products, including the development of gas related projects and services. Dana Gas shares are listed on the Abu Dhabi Stock Market (ADSM).

The Company's registered head office is P O Box 2011, Sharjah, United Arab Emirates with offices in Al-Khobar, Saudi Arabia, Calgary, London and Cairo.

2 SIGNIFICANT ACCOUNTING POLICIES

The interim condensed consolidated financial statements are prepared under the historical cost convention as modified for the measurement at fair values of certain financial assets and liabilities.

The interim condensed consolidated financial statements have been prepared in United Arab Emirates Dirhams (AED), which is the Company's functional and presentation currency, and all values are rounded to the nearest million except where otherwise indicated. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Statement of compliance

The interim condensed consolidated financial statements of the Company and its subsidiaries are prepared in accordance with International Accounting Standard (IAS) No 34, Interim Financial Reporting. Hence, the interim condensed financial statements do not contain all information and disclosures required for full financial statements prepared in accordance with International Financial Reporting Standards.

The accounting policies used in the preparation of the interim condensed consolidated financial statements are consistent with those used in the preparation of the annual financial statements for the period ended 31 December 2006, except for the adoption of new Standards and Interpretations, noted below. Adoption of these Standards and Interpretations did not have any effect on the financial position or performance of the Group.

- *IFRIC 9 Reassessment of Embedded Derivatives*
The Group adopted IFRIC Interpretation 9 as of 1 January 2007, which states that the date to assess the existence of an embedded derivative is the date that an entity first becomes party to the contract, with reassessment only if there is a change in the contract that significantly modifies the cash flows.
- *IFRIC 10 Interim Financial Reporting and Impairment*
The Group adopted IFRIC Interpretation 10 as of 1 January 2007, which requires that an entity must not reverse an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost.

Dana Gas PJSC and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2007

2 SIGNIFICANT ACCOUNTING POLICIES - continued

Basis of consolidation

The financial statements incorporate the financial statements of the parent company ("Dana Gas") and each of its controlled subsidiaries ("the Group") listed below as of 31 March 2007:

Name of the Subsidiary	Place and Country of Incorporation	% of holding	Principal Activity
Sajaa Gas Private Limited Company ("SajGas")	Emirate of Sharjah, UAE	100%	Gas Sweetening
United Gas Transmissions Company Limited ("UGTC")	Emirate of Sharjah, UAE	100%	Gas Transmission
Dana Gas LNG Ventures and its subsidiaries	British Virgin Islands	100%	Oil and Gas exploration, production
Centurion Energy International Inc ("Centurion/CEII") and its subsidiaries	Calgary, Canada	100%	Oil and Gas exploration, production

All significant inter-company balances and transactions have been eliminated at consolidation. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

The Group's interests in joint ventures are accounted for by proportionate consolidation. Under this method the Group combines its share of each of the assets, liabilities, income and expenses of the joint venture with the similar items, line by line, in its consolidated financial statements.

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

Business combinations

Business combinations are accounted for using the acquisition accounting method. This involves recognising identifiable assets (including previously unrecognised intangible assets) and liabilities (including contingent liabilities and excluding future restructuring costs) of the acquired business at fair value at the date of acquisition.

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which goodwill is so allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger than a segment based on either the Group's primary or secondary reporting format determined in accordance with IAS 14 Segment Reporting.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2007

2 SIGNIFICANT ACCOUNTING POLICIES - continued

Business combinations - continued

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within the unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any impairment in value. Land is not depreciated.

Depreciation is computed on a straight line basis over the estimated useful lives of other assets as follows:

Oil and gas properties	unit-of-production
Gas sweetening plant	25 years
Gas transmission facilities	25 years
Buildings	25 years
Gas plant	15 years
Computers	3 years
Furniture and fixtures	3 years
Motor vehicles	3 years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement at the time the asset is derecognised.

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property, plant and equipment. All other expenditure is recognised in the income statement as the expense is incurred.

Capital work-in-progress is stated at cost. On commissioning, capital work-in-progress is transferred to property, plant and equipment and depreciated in accordance with company policies.

Oil and gas properties and other related assets

The successful efforts method of accounting is used for oil and gas exploration and development costs. Under this method, initial acquisition costs of oil and gas properties and costs of drilling and equipping exploration wells are capitalised when incurred and, if subsequently determined to be unsuccessful, are charged to dry hole expense. All other exploration expenses, including geological and geophysical costs and annual lease rentals are charged to exploration expense when incurred.

Capitalised costs of proved oil and gas properties in property, plant and equipment are depleted using the unit-of-production method based on estimated proven oil and gas reserves. Changes in reserves are accounted for prospectively.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2007

2 SIGNIFICANT ACCOUNTING POLICIES - continued

Exploration expenditure

Geological and geophysical exploration costs are charged against income as incurred. Costs directly associated with an exploration well are capitalised as an intangible asset until the drilling of the well is complete and the results have been evaluated. If hydrocarbons are not found, the exploration expenditure is written off as a dry hole. If hydrocarbons are found and, subject to further appraisal activity, which may include the drilling of further wells (exploration or exploratory-type stratigraphic test wells), are likely to be capable of commercial development, the costs continue to be carried as an asset. All such carried costs are subject to a technical, commercial and management review at least once a year to confirm the continued intent to develop or otherwise extract value from the discovery. When this is no longer the case, the costs are written off. When proved reserves of oil and natural gas are determined and development is sanctioned, the relevant expenditure is transferred from intangible assets to property, plant and equipment.

Abandonment and site restoration

Where required under existing production sharing contracts, the Group will record the estimated costs of future abandonment and site restoration of oil and gas properties, which will be added to the carrying value of the oil and gas properties. The abandonment and site restoration costs initially recorded will be depleted using the unit-of-production method based on proven oil and gas reserves. Subsequent revisions to abandonment and site restoration costs are considered as a change in estimates and will be accounted for on a prospective basis.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Intangible assets include expenditure on the exploration for and evaluation of oil and gas natural resources.

Intangible assets acquired as part of a business combination relating to oil and gas properties are recognised separately from goodwill if the asset is separable or arises from contractual or legal rights and its fair value can be measured reliably.

Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is charged against profits in the year in which expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and treated as a change in accounting estimate.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangibles are not amortised. When development in respect of the oil and gas properties is internally approved, the related amount is transferred from intangible assets to property, plant and equipment and depleted in accordance with the Group's policy. If no future activity is planned, the remaining balance is written off.

Impairment and uncollectibility of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying value of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assumptions of the time value of money and the risks specific to the asset.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2007

2 SIGNIFICANT ACCOUNTING POLICIES - continued

Impairment and uncollectibility of non-financial assets - continued

In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, or other available fair value indicators.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group makes an estimate of recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement unless the asset is carried at revalued amount, in which case the reversal is recognised as a revaluation increase. Impairment losses recognised in relation to goodwill are not reversed for subsequent increases in its recoverable amount.

An assessment is made at each balance sheet date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognised in the income statement. Impairment is determined as follows:

- (a) For assets carried at fair value, impairment is the difference between cost and fair value;
- (b) For assets carried at cost, impairment is the difference between cost and the present value of future cash flows discounted at the current market rate of return for a similar financial asset.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises purchase price, cost of production, transportation and other directly allocable expenses. Costs of spares and consumables are determined using the purchase cost on a weighted average basis.

Net realisable value is based on estimated selling price less any further costs expected to be incurred on completion and disposal.

Accounts receivable and prepayments

Accounts receivable and prepayments are stated at original invoice amount less a provision for any uncollectible amounts. An estimate for doubtful accounts is made when collection of the full amount is no longer probable. Bad debts are written off when there is no possibility of recovery.

Cash and cash equivalents

For the purpose of the Statement of Cash Flows, cash and cash equivalents consist of cash in hand, bank balances, and short-term deposits with an original maturity of three months or less, net of outstanding bank overdrafts, if any.

Accounts payable and accruals

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Provisions

General

Provisions are recognised when the Group has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and able to be reliably measured.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2007

2 SIGNIFICANT ACCOUNTING POLICIES - continued

Decommissioning liability

Decommissioning costs are provided at the present value of expected costs to settle the obligation using estimated cash flows. The cash flows are discounted at a current pre tax rate that reflects the risks specific to the decommissioning liability. The unwinding of the discount is expensed as incurred and recognised in the income statement as a finance cost. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset.

Employees' end of service benefits

The Group provides end of service benefits to its employees. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

Income Taxes

Current income tax

In Egypt, the government receives production in lieu of income tax. The Group records this production as current income tax expense.

Deferred income tax

The Group follows the liability method of accounting for income taxes. Under this method, future tax liabilities and assets are recognised for the estimated tax consequences attributable to differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases. Future tax liabilities and assets are measured using enacted or substantially enacted tax rates. The effect on future tax liabilities and assets of a change in tax rates is recognised in income in the period that the change occurs.

Foreign currencies

Transactions in foreign currencies are recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the income statement. Non monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transactions. Non monetary items measured at fair value in foreign currency are translated using the exchange rates at the date when the fair value was determined. Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Foreign group companies

The balance sheets of overseas subsidiaries are translated using the closing rate method, whereby assets and liabilities are translated at the rates of exchange ruling at the balance sheet date. The income statements of overseas subsidiaries and joint ventures are translated at average exchange rates for the year. Exchange differences arising on the retranslation of net assets are taken directly to equity.

On the disposal of a foreign entity, accumulated exchange differences are recognised in the income statement as a component of the gain or loss on disposal.

Borrowing costs

Borrowing costs directly attributable to the construction of qualifying assets, which are assets that necessarily take a substantial period of time to prepare for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. All other borrowing costs are recognised as interest payable in the income statement in the period in which they are incurred.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2007

2 SIGNIFICANT ACCOUNTING POLICIES - continued

Leases

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income. Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

Investment properties

Investment properties are initially measured at cost, including transaction costs. Subsequent expenditure is added to the carrying value of investment properties when it is probable that future economic benefits, in excess of the originally assessed standard of performance, will flow to the Group. Any expenditure that results in the maintenance of property to an acceptable standard or specification is treated as repairs and maintenance expenses and is charged to the consolidated income statement in the period in which it is incurred.

Subsequently, investment properties are measured at fair value. Fair values are assessed annually at the balance sheet date. Any gain or loss arising from a change in the fair values of investment properties is included in the consolidated income statement.

Profit-bearing loans and borrowings

All profit-bearing loans and borrowings are initially recognised at the fair value of the consideration received net of issue costs directly attributable to the borrowing.

After initial recognition, profit-bearing loans and borrowings are subsequently measured at amortised cost using the effective profit rate method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Share based payment transactions

Employees (including senior executives) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for either equity instruments ("equity settled transactions") or share appreciation rights, which can only be settled in cash ("cash-settled transactions").

Equity-settled transactions

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted. The fair value is determined by an external valuer using an appropriate pricing model.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('the vesting date'). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The income statement charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

Where the terms of an equity-settled award are modified, the minimum expense recognised is the expense if the terms had not been modified. An additional expense is recognised for any modification, which increases the total fair value of the share based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Dana Gas PJSC and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2007

2 SIGNIFICANT ACCOUNTING POLICIES - continued

Cash-settled transactions

The cost of cash settled transactions is measured initially at fair value at the grant date using an appropriate pricing model. This fair value is expensed over the period until vesting with recognition of a corresponding liability. The liability is remeasured at each balance sheet date up to and including the settlement date with changes in fair value recognised in profit or loss.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding royalties, discounts, rebates, and other sales taxes or duties. The following specific recognition criteria must also be met before revenue is recognised:

Rendering of services

Revenue from rendering of services is recognised as the service is rendered.

Revenue from sale of hydrocarbons

Revenue from sale of hydrocarbons is recognised when the significant risks and rewards of ownership are transferred to the buyer and the amount of revenue and the costs of the transaction can be measured reliably.

Finance income

Revenue from surplus funds invested with financial institutions is recognised as the revenue accrues.

Fair values

The fair value of profit-bearing items is estimated based on discounted cash flows using profit rates for items with similar terms and risk characteristics.

3 SEGMENTAL INFORMATION

Primary segment information

The Group's primary operations, based on the location of assets, are organised on a worldwide basis into three geographical segments: United Arab Emirates, Egypt and others. The accounting policies of the segments are the same as those described in note 2 above. The group evaluates the performance of its segments and allocates resources to them based on this evaluation.

Period ended 31 March 2007

	<i>United Arab Emirates AED mm</i>	<i>Egypt AED mm</i>	<i>Rest of the World AED mm</i>	<i>Total AED mm</i>
Revenue				
External sales	1	201	-	202
Royalties	-	(79)	-	(79)
Total revenue net of royalties	1	122	-	123
Results				
Segment operating results				
Profit before tax, finance cost, investment and finance income	30	59	-	89

Dana Gas PJSC and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2007

3 SEGMENTAL INFORMATION - continued

	<i>United Arab Emirates AED mm</i>	<i>Egypt AED mm</i>	<i>Rest of the World AED mm</i>	<i>Total AED mm</i>
Finance costs	-	-	-	(46)
Investment and finance income	-	-	-	8
Profit before income tax	-	-	-	51
Income tax expense	-	-	-	(30)
Profit for the quarter	-	-	-	21
Segment assets at 31 March 07	5,483	3,232	62	8,777
Segment liabilities at 31 March 07	1,833	107	-	1,940
Other segment information				
Capital expenditure for the quarter:				
Property, plant and equipment	21	49	-	70
Intangible oil & gas assets	-	30	-	30
Other intangible assets	-	-	-	-
Goodwill	-	-	-	958
Charges:				
Depletion and depreciation	-	(54)	-	(54)
Exploration cost	-	(14)	-	(14)
Gain from change in fair value of investment property	59	-	-	59

Secondary segment information

The Group's secondary segment reporting format is business. For operational and management reporting purposes, the Group is organised in one major business segment of ownership, transportation, processing, distribution, marketing and sale of natural gas and petroleum related products, including the development of gas related projects and services.

For the period ended 31 March 2006, the Group had only one geographical segment, United Arab Emirates.

4 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing net profit for the period attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share is calculated by dividing the net profit by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

Dana Gas PJSC and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2007

4 EARNINGS PER SHARE - continued

The information necessary to calculate basic and diluted earnings per share is as follows:

	Three months ended	
	31 March 2007 AED mm	31 March 2006 AED mm
Earnings:		
Profit for the period	21	51
Shares:		
Weighted average number of shares outstanding for calculating basic EPS	6,000	6,000
Weighted average number of shares which may be issued upon conversion of the convertible notes	-	137
Weighted average number of shares outstanding for calculating diluted EPS	6,000	6,137

There are no dilutive potential ordinary shares as at 31 March 2007. There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of the completion of these financial statements. At 31 March 2006, there were potential dilutive ordinary shares in respect of the convertible bonds. These bonds were ultimately repaid in cash.

5 BUSINESS COMBINATIONS

Acquisition of Centurion Energy International Inc

On 10 January 2007, Dana Gas PJSC completed a Plan of Arrangement ("Plan") with Centurion Energy International Inc. ("Centurion"). Under the terms of this Plan, Dana Gas acquired all of the issued and outstanding common shares of Centurion for CAD 12.00 in cash per common share for an aggregate acquisition cost of CAD 1.1 billion (approximately AED 3,612 million) and retired debt of USD 127 million (AED 467 million). The Plan was approved by the Centurion common share holders during a special meeting on 8 January 2007 and subsequently by the Queen's bench of Alberta Court. The results of Centurion have been consolidated from 10 January 2007. The Centurion acquisition has been funded from internal cash and an Islamic Shariah compliant facility provided by Citibank of USD 470 million (AED 1.7 billion).

The fair value of the identifiable assets and liabilities as at the date of the acquisition was:

	Fair value recognised on acquisition AED mm	Carrying value AED mm
Property, plant and equipment	1,488	693
Intangible assets	1,305	88
Other non-current assets	-	9
Current assets	596	596
Total Assets	3,389	1,386
Non-current liabilities	(112)	(533)
Current liabilities	(156)	(156)
Value of net assets	3,121	697
Goodwill arising on acquisition	958	-
Consideration Paid	4,079	

Dana Gas PJSC and Subsidiaries

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5 BUSINESS COMBINATIONS – continued

Acquisition of Centurion Energy International Inc- continued

Cash flow on acquisition:	AED mm
Net cash acquired with the subsidiary	208
Cash paid	(4,079)
Net cash outflow	<u>(3,871)</u>

The total consideration of AED 4,079 million represents a cash settlement of AED 3,565 million, acquisition and related expenses of AED 47 million and debt repayment of AED 467 million.

The fair value of the property, plant and equipment and intangibles has been provisionally determined, pending the completion of a full purchase price allocation as required by IFRS 3.

Centurion is an independent oil and gas exploration and production company operating principally in the Egyptian Nile Delta whose common shares had previously been listed on the Toronto Stock Exchange and the London AIM. Centurion will now form the Upstream (Exploration and Production) Division of the Dana Gas group. Centurion has a number of concessions and development leases in Egypt:

- El Wastani Development Lease – These development leases are held with a 100% working interest and represent approximately 90% of current production. El Wastani production includes both gas and associated gas liquids. These leases have 13,017 acres of land included within their boundaries and are located in the Nile Delta of Egypt.
- South El Manzala Development Leases – These development leases are held with a 100% working interest and represent approximately 8% of current production. South El Manzala has only gas production. These development leases have 16,055 acres of land included within their boundaries and are located in the Nile Delta of Egypt.
- West Gharib Concession – This concession contains several development leases and exploration lands. Centurion has a 30% working interest in this concession as a non-operating partner. Total acreage from this area represents 10,764 acres (net share). The West Gharib Concession produces approximately 2% of current volumes and produces only oil. This concession is located in the North West portion of Egypt near to Gulf of Suez.
- West El Manzala Exploration Concession – Centurion holds a 100% working interest in this Concession, which includes 476,216 acres of exploration land. Current drilling programs and seismic interpretation are being carried out to explore the acreage. This concession is located in the Nile Delta of Egypt.
- West El Qantara Exploration Concession – Centurion holds a 100% working interest in this Concession, which includes 319,618 acres of exploration land. Current drilling programs and seismic interpretation are being carried out to explore the acreage. This concession is located in the Nile Delta of Egypt.
- Kom Ombo Exploration Concession – Centurion holds a 100% working interest in this Concession, which includes 5,654,727 acres of exploration land. Current drilling programs and seismic interpretation are being carried out to explore the acreage. This concession is located in the southern desert of Egypt. Also refer Note 10 (b)

In addition to the above concessions and leases in Egypt, Centurion also has the following leases :

- Block 4 Sao Tome/Nigeria – Centurion holds a 9.5% working interest in the exploration block. The block is located off shore in the Nigeria/Sao Tome Joint Development Zone. The block has 15,876 acres (net share) of land in its boundaries.

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5 BUSINESS COMBINATIONS - continued

Reserves data

The proved reserves of Centurion at 31 March 2007 were 60.3 millions of barrels of oil equivalent ("MMBOE") (31 December 2006: 62.9 MMBOE). The proved and probable reserves at 31 March 2007 were 77.3 MMBOE (31 December 2006: 79.8 MMBOE)

Acquisition of SajGas, UGTC and interest in CNGCL

During 2005 the Company acquired a 100% interest in SajGas and UGTC and a 35% interest in Crescent National Gas Corporation Limited ("CNGCL"). The Company's share of the fair value of the identifiable assets (including intangible assets) and liabilities of these entities as at the date of the acquisition was AED 3,922 million.

The total consideration of AED 3,922 million was settled by issuing AED 1,961 million ordinary shares and the balance in the form of convertible notes.

The intangible assets represent the fair value of the rights for the purchase, transmission, sweetening and sale of gas and related products acquired by the Company through its shareholdings in SajGas, UGTC and CNGCL. The fair value of the rights acquired was determined by reference to valuation exercises undertaken by professionally qualified independent third parties based on the expected future cash flows arising from the underlying contractual relationships. The intangible assets are being amortised over 25 years from the date of commencement of commercial activity in accordance with the terms of the contracts to which they relate. Commercial activity has not yet commenced. The ultimate supplier of gas is currently in the process of completing the construction of its side of the required facilities. This is expected to be accomplished by third quarter 2007.

In accordance with the IAS 36 requirement in respect of intangible assets not yet available for use, management has undertaken an impairment review of the intangible assets. Management has reviewed the progress on the construction of the required facilities by the ultimate gas supplier and the various inputs into the original valuation model. Management believes that construction is now fairly well advanced and should be completed by the third quarter of 2007 with gas supplies commencing shortly thereafter. Management further believes that the inputs into the original valuation model have not significantly changed so as to require a formal calculation of the recoverable amount of the intangible assets.

Acquisition of Danagaz (Bahrain)

The Company entered into a Heads of Agreement on 30 September 2006 with the majority shareholder (acting for itself and other shareholders) to acquire a controlling interest (66% of the shares) in a Bahrain registered company, named Danagaz (Bahrain) subject to the fulfillment of certain conditions. Danagaz (Bahrain) is developing a project that involves the installation of a plant in Egypt to extract LPG's from the existing gas network. Danagaz, in partnership with Egyptian Natural Gas Holding Company and Arab Petroleum Investments Corporation (APICORP), will build, own, and operate such plant through an Egyptian incorporated Company named Egyptian

Bahraini Gas Derivative Company (EBGDC). Danagaz will own 40% of EBGDC, a further 40% will be held by the Egyptian Natural Gas Holding Company and the remaining 20% by APICORP.

The project involves the engineering, fabrication, installation and operation of a high-efficiency LPG extraction plant on the western shore of the Gulf of Suez. The key project agreements (gas supply and product offtake) have been executed and the land and sea berth arrangements are also concluded pending execution. The Company and the remaining shareholder in Danagaz are currently working towards fulfillment of conditions precedent to the completion of the acquisition and have finalised a Share Purchase Agreement the signature of which is imminent. The estimated project cost is around US\$ 77 million (AED 283 million) and it is intended to arrange limited-recourse financing for 65% to 70% of the costs with APICORP arranging the bank financing. The requisite documentation and implementation of the Project to Financial Close has already commenced and Project construction is expected to be completed within 2 years.

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6 INVESTMENT PROPERTY

The movement in investment property during the year is as follows:

	31 March 2007 AED mm	31 March 2006 AED mm
Balance at 1 January	-	-
Transferred from property, plant and equipment	77	-
Change in fair value of investment property	59	-
	<u>136</u>	<u>-</u>
Balance at 31 December	<u>136</u>	<u>-</u>

Investment properties consist of freehold land transferred from property, plant and equipment. This freehold land is an industrial land owned by SajGas in the Sajaa area of the Emirate of Sharjah, United Arab Emirates. This transfer has been effected as the Group now considers a portion of land to be surplus to their operational requirements and is thus intended to be used for earning rentals or capital appreciation. The land is registered in the name of a subsidiary.

Investment properties are stated at fair value which has been determined based on a valuation performed by a firm of property consultants. This valuation resulted in an increase in the fair value by AED 59 million which was credited to the consolidated income statement.

7 SHARE CAPITAL

	31 March 2006 and 2007 AED mm
<i>Authorised, issued and fully paid up :</i>	
6,000,000,000 common shares of AED 1 each	<u>6,000</u>

8 BORROWINGS

Dana Gas entered into a structured Sharia compliant murabaha financing facility for an amount of US\$470 million (AED 1,723 million) to part finance its acquisition of Centurion. This facility was fully underwritten by Citibank NA and its affiliates ("Citigroup"). The security for this facility is the pledge on (i) shares of Centurion on or prior to initial drawdown of the facilities and (ii) within 30 days of initial drawdown of the facilities on shares of each material subsidiary in the Centurion Group to the extent legally possible and subject to any agreements with third parties restricting taking of such security or any onerous administrative burdens in any relevant jurisdictions, provided that all reasonable steps will be taken to avoid any such legal, third party or administrative issues.

Each utilisation shall be repaid by Dana Gas through the Mudarib, along with relevant profit (for such final 6-month interval) through one bullet installment at the maturity date being 364 days from the date of signing of facility agreement.

Profit for this transaction is calculated at a rate per annum equal to the relevant LIBOR rate (or LIBOR equivalent rate) two days prior to any utilisation date plus a margin of:

- 1.00% p.a. for the first 6 month interval after the utilisation
- 1.25% p.a. for the second 6 month interval after the utilisation

Profit will be paid on 6-month intervals on amounts outstanding in US Dollars, with the first profit payment payable at the end of the 6th month from the date of the first utilisation.

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9 CONTINGENCIES AND COMMITMENTS

Centurion has contracted four drilling rigs in connection with the 2007 budgeted drilling program in Egypt. In the event that Centurion does not proceed with planned drilling with these rigs, the Company would be obligated to pay the rig operators a variable rate based on days not utilised under the contracts. The maximum commitment at 31 March 2007 related to these contracts is approximately US\$ 7.2 million (AED 26.5 million) which could be reduced by farm-outs to other operators.

In May 2004, Centurion was awarded the West El Manzala and West El Qantara blocks in the Nile Delta of Egypt. Centurion has committed to spend US\$11 million (AED 40.4 million) on the West El Manzala block and US\$7 million (AED 25.69 million) on the West El Qantara block during the first phase of exploration. These commitments are supported by performance bonds issued by BNP Paribas and supported by Export Development Canada. As at 31 March 2007, Centurion has fulfilled its spending commitment related to the West El Manzala block and has been notified that the US\$11 million (AED 40.4 million) West El Manzala letter of guarantee was released by the Egyptian Government. To date, Centurion has spent approximately US\$6 million (AED 22.02 million) related to the West el Qantara block and it is anticipated that the entire commitment will be incurred by the end of the second quarter 2007.

In March 2006, the Company entered into an agreement with CTIP Oil and Gas Limited (CTIP) to acquire a 25 percent working interest in the West El Manzala and West El Qantara Concessions. Following the closing of this acquisition, the Company held a 100 percent participating interest in each of these Concessions. Under the terms of the acquisition agreement the Company has agreed to pay additional payments that could total up to a further US\$25 million (AED 91.75 million) as and when specific discovery volumes and development objectives are met. Centurion has also granted a three percent net profits interest to CTIP on future production from the Concessions .

On 14 March 2006, the Company signed a Production Sharing Contract (PSC) and formal granting by the Joint Development Zone of its 10 percent (gross) equity interest, 9.5 percent (net) in Block 4 of the Nigeria/Sao Tome. Under the PSC the Company has paid US\$6.8 million (AED 24.96 million), being its share of the total signature bonus. The Company will be obligated to pay US\$5.0 million (net) (AED 18.35 million) for its share in the minimum expenditure of US\$53 million (AED 194.51 million) for the block. This obligation is expected to be paid through 2008. This commitment is supported by a performance bond issued by BNP Paribas and supported by Export Development Canada.

10 POST BALANCE SHEET EVENT

(a) Kurdistan Project

Subsequent to the quarter-end, the Group entered into certain agreements with the Kurdistan Regional Government of Iraq for the development of its substantial gas resources. Under the terms of the Strategic Alliance Protocol , the Kurdistan Regional Government, Dana Gas, and its affiliate, Crescent Petroleum will jointly review the natural gas resources in the Kurdistan Region of Iraq with a view to the optimisation, development and utilisation of those substantial resources. This initiative also includes the launch of the Kurdistan Gas City, which is a major new gas-utilisation industrial complex designed to promote private sector investment in a variety of gas-related industries and to benefit the country's citizens through job creation, training, and the promotion of general economic activity.

In addition, the Group was appointed on a service contract basis to develop, process and transport natural gas from the Khor Mor Gas Field, and to also concurrently appraise the potential of the Chemchamal Gas Field, in order to provide natural gas supplies to fuel domestic electric power generation plants currently under construction near Erbil and Suleymania, starting in January 2008.

The Khor Mor Field development will involve the hook up, testing and re-commissioning of 5 existing wells, appraisal of the reservoir including the drilling of at least 2 additional gas wells, installation of separation facilities and an LPG extraction plant, and laying of around 180 kms of pipelines. The initial gas production from Khor Mor development is expected to be circa 150 MMscfd, rising to 300 MMscfd in the subsequent phase. The initial investment of the Khormor development is expected to be around US\$ 370 million (AED 1,358 million), rising to US\$ 570 million (AED 2,092 million) in the latter phase.

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10 POST BALANCE SHEET EVENT - continued

(a) Kurdistan Project - continued

The Chemchamal appraisal programme includes acquiring seismic data, re-entry and re-testing of an existing well and drilling 2 appraisal wells. The estimated cost of this work programme is around US\$ 45 million (AED 165 million).

The initial costs for the Khor Mor Field development and the Chemchamal appraisal programme will be funded equally by the Company and its affiliate, Crescent Petroleum Company International Limited.

(b) Centurion Projects

Kom Ombo Farm-out

On 17 April 2007, the Company completed a Farmout Agreement with Kuwait International Oil and Environmental Co. (KIOEC) related to the Kom Ombo concession. Under the terms of the farmout, KIOEC has received a 50% working interest in the Kom Ombo concession. In consideration for the working interest, KIOEC will fund 100 percent of the first US\$4.4 million (AED 16.15 million) of work program expenditures in the concession. Thereafter, KIOEC and the Group will share future expenditures equally.

Luzi Development Lease

On 11 April 2007, the Company was granted formal approval of its first Plan of Development Lease in the West El Manzala Concession (Luzi Development Lease). As a result of this formal granting, the Company will be required to make the first payment under the terms of the CTIP acquisition agreement, totaling US\$12.5 million (AED 45.88 million). This amount is expected to be paid out in two equal installments in 2007 and 2008.