

Dana Gas PJSC and Subsidiaries

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

31 MARCH 2009 (UNAUDITED)

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 results of the Company and its subsidiaries (together referred to as the “Group”) for the three month period ended 31 March 2009 (“the period”).

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 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 utilization of gas as feedstock and fuel to the petrochemical, industrial and the power sectors. Since its establishment, the Company has grown from a small core team at its head office in Sharjah to a regional, as well as international natural gas company with over 300 professional staff and further offices in UK, Egypt, Saudi Arabia, Bahrain and the Kurdistan Region of Iraq.

Operating Results

Following commencement of operating revenues on 10 January 2007 Dana Gas has continued to build upon its operating performance.

Quarter ended March 2009

During the quarter the Company earned Revenue of AED 247 million (31 March 2008: AED 272 million); a 9 % decrease over the corresponding period. The oil and gas production remained at levels similar to corresponding period at 2.66 million barrels oil equivalent (BOE) and the decrease in revenue resulted from lower LPG and Condensates prices.

Gross Profit of AED 68 million (31 March 2008: AED 39 million) was generated during the quarter from the sale of hydrocarbons and was up by 64% over the corresponding period, mainly due to the contribution of revenue from condensate sales in Kurdistan.

The Group incurred a net loss of AED 32 million in the first quarter after finance cost of AED 57 million and tax charge of AED 30 million as compared to a net profit of AED 25 million in the same period last year which was primarily due to gain from disposal of the Company’s interest in West Gharib concession. However, Earnings before interest, tax, depreciation, amortisation and exploration (EBITDAX) was positive at AED 113 million and reflects the positive cash generation by the Group during the same period.

The results for the quarter ended 31 March 2009 are set out in detail on page 7 of the interim condensed consolidated financial statements.

DANA GAS PJSC
Report of the Directors

Liquidity and Financial Resources

During the period, the operating cash flow and the company's cash and bank balances were used to fund its development program in the Kurdistan Region of Iraq.

The Group's cash and bank balances as at 31 March 2009 stood at AED 645 million.

Business Update

In line with its outlined strategy, the Dana Gas Group continues to maximise the value of its existing oil and gas assets and projects, while pursuing aggressive growth through a strategy of targeted acquisitions and new business development across the gas value chain.

Egypt operations – Centurion Petroleum

The Company's production for the 91 days of operations was 2.66 MMBOE i.e. averaging 29.2 mboepd. During the period the Company increased its production from its El Wastani gas plant in the Nile Delta region of Egypt to 170 million standard cubic feet of gas per day (MMscf/d) having successfully brought the El Basant field on stream on 31 March 2009. Total production in Egypt is running at 35,000 barrels of oil equivalent per day (boepd) in April 2009; a 20% increase on the average rate achieved during Q1-2008.

During the period Company continued its exploration success by adding two more major gas discoveries marking five consecutive discoveries from its exploration campaign for 2008-2009. The first discovery was made in West Manzala-2 (Haggag prospect) located in the West Manzala Concession in the Nile Delta region of Egypt. This discovery is expected to add approximately 20 billion cubic feet (bcf) of dry gas. The second discovery was made at Azhar-1 well in the Egyptian Nile Delta and is expected to add in excess of 100 bcf of gas reserves to the Company's reserve portfolio.

The internationally renowned U.K. based engineers, Gaffney, Cline & Associates ("GCA") had carried out an independent evaluation of Centurion's hydrocarbon reserves as at 31 December 2008. Based on their report and after adjusting for three month's production, the Company's gross proved reserves as at 31 March 2009 are estimated to be 53.2 millions of barrels of oil equivalent ("MMBOE") (31 December 2008: 55.6 MMBOE). The gross proved and probable reserves at 31 March 2009 are estimated to be 91.9 MMBOE (31 December 2008: 94.3 MMBOE). An evaluation of the exploration potential of Centurion's Egyptian exploration assets, the West Manzala, West Qantara and Komombo Concessions, was also carried out by GCA. Their report indicated that the risked gas potential of the blocks is in the region of 3.7 trillion cubic feet (Tcf) of gas.

DANA GAS PJSC
Report of the Directors

Kurdistan Region of Iraq (KRI) Project

In April 2007, the Group entered into important agreements with Kurdistan Regional Government of Iraq for the development of its substantial gas resources, initially to develop, process and transport natural gas on a fast-track basis from the Khor Mor Gas Field (Khor Mor Project), including the extraction of LPG and condensate, in order to provide natural gas supplies to fuel domestic electric power generation plants currently under construction by third parties near the major urban centers of Erbil and Suleymania. This project is being implemented jointly with Crescent Petroleum at a total investment of USD 660 million. Further development of the gas reserves are planned to supply natural gas as feedstock and energy for local industries, specifically for the 42 square kilometer Kurdistan Gas City major industrial complex (described below) and subsequently for future exports.

The mechanical completion of the 180 km pipeline from Khor Mor to Erbil was achieved in late September and the Early Production Facilities (EPF) was successfully installed. Commissioning of the EPF occurred in early August, with gas deliveries to the Erbil Power Station commencing on 1 October 2008 via the 180 km pipeline— a record achievement of only 15 months project implementation by the joint venture team between Dana Gas and its partner Crescent Petroleum.

Kurdistan Gas City

Dana Gas in joint venture with Crescent Petroleum has been designated a 461 million square feet site for Kurdistan Gas City by the Kurdistan Regional Government (KRG) for development by Gas Cities LLC (a joint venture company between Dana Gas and Crescent Petroleum), following extensive surveys that have been completed on potential sites within the Kurdistan Region of Iraq.

The Kurdistan Gas City is planned to be major new sustainable and synergistic gas-utilisation industrial complex designed to promote private sector investment in a variety of gas-related industries to further benefit the country's citizens through mass training, job creation in the many tens of thousands and the promotion of general economic activity.

The Kurdistan Gas City is the first in a series of "Gas Cities" that are being proposed across the MENASA region by Gas Cities LLC.

UAE Gas Project

The UAE Gas Project to process and transport imported gas awaits the commencement of gas supplies, with the construction and interconnection of the Company's facilities in the UAE have long been successfully completed, The ultimate supplier of gas, NIOC, has after a delay of over 3 years completed the installation of all the main components of the required upstream facilities in Iran. Commissioning of these upstream facilities is being undertaken by NIOC for completion during 2009. After completion of commissioning, NOIC shall be ready to commence the gas supplies.

DANA GAS PJSC

Report of the Directors

Joint venture with Emarat

United Gas Transmissions Company Ltd (UGTC), a subsidiary of the Company, has implemented a joint venture project with Emarat (on a 50:50 basis) that is the largest gas pipeline in the UAE (48 inch diameter, 32 km length) with a design capacity of 1000 MMscfd to transport gas within Sharjah from Sajaa to the Hamriyah at a capital cost of USD 50 million. The construction of the pipeline was completed in April 2008. The pipeline capacity is to be utilised by 3 users; SEWA, FEWA and CNGCL under a 25 year contract.

Egypt Gulf of Suez – Gas Liquids (LPG) Plant

The Company, through Danagaz Bahrain, is leading a project to build, own and operate the Liquids Extraction Plant in Egypt in partnership with Egyptian National Gas Company (EGAS) and the Arabian Petroleum Investment Corporation (APICORP). The formation of a joint venture company in Egypt and the acquisition of the land for the Plant have been completed. The contract award for the LPG Plant is planned during the second quarter of 2009, with construction hereafter to take up to 18 months.

Sharjah Western Offshore Concession

In March 2008, Dana Gas was awarded a 25 year concession by the Government of Sharjah for the exploration and development of the Western Offshore concession in Sharjah, UAE. The concession award marks Dana Gas' entry into the prestigious and exclusive GCC exploration and production sector, and will also be the first offshore upstream asset for the Company in the Middle East.

The concession agreement covers a total area of over 1,000 square kilometers including the Zora Gas Field, which has established gas reserves and a ready market. The Company has begun implementation of this important project, which includes upstream development as well as transportation of the produced gas and petroleum liquids via a 25km offshore pipeline, which will add significant production and revenues to Dana Gas's expanding diversified portfolio.

Nigeria / Sao Tome and Principe Joint Development Zone – Block 4

Dana Gas holds a 10% interest in Block 4 of the Nigeria/Sao Tome Joint Development Zone. Block 4 is an extension of the prolific Nigeria deep water play where a number of significant oil discoveries have been made. Based on the interpretation of 3D seismic, several large structures capable of containing giant size oil fields have been identified and mapped.

The Block 4 consortium, for which Addax Petroleum is the operator, has contracted the fifth generation, dynamically positioned drillship Deepwater Pathfinder to drill an exploration well on the block, which is planned to spud during the second half of 2009.

DANA GAS PJSC
Report of the Directors

Directors

The Directors who served during the period were:

H.H. Sheikh Ahmed Bin Sultan Al –Qasmi, Honorary Chairman
Mr. Hamid Dhiya Jafar, Executive Chairman
Dr. Adel Khalid Al-Sabeeh, Deputy Chairman
H.E. Sheikh Sultan Bin Ahmed Bin Sultan Al-Qasimi
Mr. Abdulaziz Hamad Aljomaih
Mr. Abdulla Nasser Huwaileel Al-Mansoori (Resigned 22 April 2009)
Mr. Adib Abdullah Al-Zamil
Mr. Ahmed Rashid Al-Arbeed
Mr. Khalid Abdul Rahman Saleh Al-Rajhi
Mr. Majid Hamid Jafar
Mr. Rashad Mohammed Al-Zubair
Mr. Said Arrata
Dr. Tawfeeq Abdulrahman Almoayed
Mr. Varoujan Nerguizian
Mr. Ziad Abdulla Ibrahim Galadari
Mr. Rashid Saif Al-Jarwan


The following directors were appointed in the Annual General Meeting of the Company held on 22 April 2009:

Sheikha Hanadi Nasser Bin Khaled Al Thani
Mr. Abdullah Ali Almajdouie
Mr. Nasser Mohammed Al Nowais

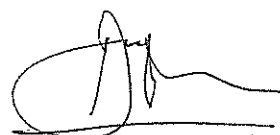
Auditors

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
13 May 2009



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

Introduction

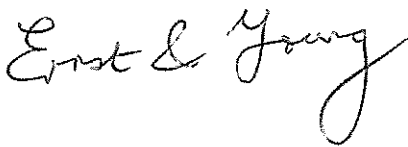
We have reviewed the accompanying interim consolidated statement of financial position of Dana Gas PJSC (the "Company") and its subsidiaries ("the Group") as at 31 March 2009 and the related interim consolidated statements of comprehensive income, changes in equity and cash flows for the three month period then ended and selected 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

13 May 2009

Dana Gas PJSC and Subsidiaries

INTERIM STATEMENT OF COMPREHENSIVE INCOME

Period ended 31 March 2009 (Unaudited)

	Note	<i>Three months ended</i>			
		<i>31 March 2009</i>		<i>31 March 2008</i>	
		<i>USD mm</i>	<i>AED mm</i>	<i>USD mm</i>	<i>AED mm</i>
Revenue		67	247	74	272
Royalties		(22)	(81)	(36)	(131)
Net revenue		45	166	38	141
Cost of sales		(9)	(33)	(5)	(20)
Depreciation and depletion		(18)	(65)	(22)	(82)
Gross profit		18	68	11	39
Investment and finance income		2	7	4	14
Other income		2	6	12	45
Gain from change in fair value of investment property		-	-	15	56
General and administration expenses		(7)	(26)	(6)	(24)
Finance costs		(16)	(57)	(20)	(73)
Exploration expenses		-	-	(1)	(2)
(LOSS) / PROFIT BEFORE TAX FOR THE PERIOD		(1)	(2)	15	55
Income tax expense		(8)	(30)	(8)	(30)
COMPREHENSIVE (LOSS) / INCOME FOR THE PERIOD		(9)	(32)	7	25
Basic and diluted per share (USD/AED per share)	4	(0.002)	(0.005)	0.001	0.004

The attached explanatory notes I to II form part of these interim condensed consolidated financial statements.

Dana Gas PJSC and Subsidiaries

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Three month period ended 31 March 2009 (Unaudited)

	Note	31 March 2009		31 December 2008 (Audited)	
		USD mm	AED mm	USD mm	AED mm
ASSETS					
Non-current assets					
Property, plant and equipment		903	3,305	817	2,996
Intangible assets	6	1,577	5,784	1,604	5,878
Investment property	7	110	403	110	403
		<u>2,590</u>	<u>9,492</u>	<u>2,531</u>	<u>9,277</u>
Current assets					
Inventories		53	194	58	211
Accounts receivable and prepayments		113	414	132	484
Financial assets at fair value through profit or loss		8	28	8	28
Cash and cash equivalents	8	176	645	217	798
		<u>350</u>	<u>1,281</u>	<u>415</u>	<u>1,521</u>
TOTAL ASSETS		<u>2,940</u>	<u>10,773</u>	<u>2,946</u>	<u>10,798</u>
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	9	1,637	6,000	1,637	6,000
Statutory reserve		28	104	28	104
Legal reserve		28	104	28	104
Retained earnings		216	787	225	819
Share based payment reserve		4	15	4	15
Convertible bonds- equity component	10	48	176	48	176
		<u>1,961</u>	<u>7,186</u>	<u>1,970</u>	<u>7,218</u>
Attributable to shareholders of the Company		1,961	7,186	1,970	7,218
Minority interest in equity		1	3	1	3
Total equity		<u>1,962</u>	<u>7,189</u>	<u>1,971</u>	<u>7,221</u>
LIABILITIES					
Non-current liabilities					
Convertible bonds	10	860	3,152	856	3,138
Provisions		9	33	10	35
		<u>869</u>	<u>3,185</u>	<u>866</u>	<u>3,173</u>
Current liabilities					
Trade payables & accruals		109	399	109	403
Short term portion of finance lease obligations		-	-	-	1
		<u>109</u>	<u>399</u>	<u>109</u>	<u>404</u>
Total liabilities		<u>978</u>	<u>3,584</u>	<u>975</u>	<u>3,577</u>
TOTAL EQUITY AND LIABILITIES		<u>2,940</u>	<u>10,773</u>	<u>2,946</u>	<u>10,798</u>

Director
13 May 2009

Director
13 May 2009

The attached explanatory notes 1 to 11 form part of these interim condensed consolidated financial statements.

Dana Gas PJSC and Subsidiaries

INTERIM CONSOLIDATED CASH FLOW STATEMENT

Three month period ended 31 March 2009 (Unaudited)

	Note	Three months ended 31 March			
		2009		2008	
		USD mm	AED mm	USD mm	AED mm
OPERATING ACTIVITIES					
(Loss) / Profit for the period before tax		(1)	(2)	15	55
Adjustments for:					
Investment and finance income		(2)	(7)	(4)	(14)
Depreciation and depletion		18	65	22	82
Gain from change in fair value of investment property		-	-	(15)	(56)
Gain on disposal of assets held for sale		-	-	(12)	(45)
Exploration expenditure	6	-	-	1	2
Finance costs		16	57	22	82
		<u>31</u>	<u>113</u>	<u>29</u>	<u>106</u>
Changes in working capital:					
Accounts receivable and prepayments		19	70	(20)	(76)
Inventories		5	17	(8)	(31)
Trade payables and accruals		-	-	(14)	(48)
Net cash used in operating activities		<u>55</u>	<u>200</u>	<u>(13)</u>	<u>(49)</u>
Income tax paid		<u>(8)</u>	<u>(30)</u>	<u>(8)</u>	<u>(30)</u>
Net cash generated from / (used in) operating activities		<u>47</u>	<u>170</u>	<u>(21)</u>	<u>(79)</u>
INVESTING ACTIVITIES					
Purchase of property, plant and equipment		(44)	(162)	(79)	(290)
Expenditure on intangible	6	(29)	(107)	(3)	(11)
Investment and finance income		1	3	3	12
Proceeds from sale of assets held for sale		-	-	46	170
Net cash used in investing activities		<u>(72)</u>	<u>(266)</u>	<u>(33)</u>	<u>(119)</u>
FINANCING ACTIVITIES					
Finance costs		<u>(16)</u>	<u>(57)</u>	<u>(19)</u>	<u>(70)</u>
Net cash used in financing activities		<u>(16)</u>	<u>(57)</u>	<u>(19)</u>	<u>(70)</u>
DECREASE IN CASH AND CASH EQUIVALENTS					
		<u>(41)</u>	<u>(153)</u>	<u>(73)</u>	<u>(268)</u>
Cash and cash equivalents at the beginning of the period		<u>217</u>	<u>798</u>	<u>541</u>	<u>1,983</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	8	<u><u>176</u></u>	<u><u>645</u></u>	<u><u>468</u></u>	<u><u>1,715</u></u>

The attached explanatory notes 1 to 11 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 2009 (Unaudited)

	<i>Attributable to shareholders of the Company</i>															
	Share capital		Statutory reserves		Legal reserves		Retained earnings		Share-based payment reserve		Convertible bonds-equity component		Minority interest		Total	
	USD mm	AED mm	USD mm	AED mm	USD mm	AED mm	USD mm	AED mm	USD mm	AED mm	USD mm	AED mm	USD mm	AED mm	USD mm	AED mm
At 1 January 2009	1,637	6,000	28	104	28	104	225	819	4	15	48	176	1	3	1,971	7,221
Total comprehensive loss for the period	-	-	-	-	-	-	(9)	(32)	-	-	-	-	-	-	(9)	(32)
At 31 March 2009	1,637	6,000	25	92	25	92	216	787	4	15	48	176	1	3	1,962	7,189
At 1 January 2008	1,637	6,000	25	92	25	92	200	732	-	-	52	191	-	-	1,939	7,107
Total comprehensive income for the period	-	-	-	-	-	-	7	25	-	-	-	-	-	-	7	25
At 31 March 2008	1,637	6,000	25	92	25	92	207	757	-	-	52	191	-	-	1,946	7,132

The attached explanatory notes 1 to 11 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 2009 (Unaudited)

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. Dana Gas shares are listed on the Abu Dhabi Securities Exchange (ADX).

The Company and its Subsidiaries constitute the Group (“the Group”). The Group is engaged in the business of 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.

The Company’s registered head office is P. O. Box 2011, Sharjah, United Arab Emirates with offices in Al-Khobar, Calgary, London, Kurdistan region of Iraq, Bahrain and Cairo.

Principal subsidiaries and jointly controlled entities of the Group at 31 March 2009 and the group percentage of ordinary share capital or joint venture interest are set out below:

Subsidiaries	%	Country of incorporation	Principal activities
Dana Gas LNG Ventures	100	British Virgin Island	Oil and Gas exploration & production
Centurion Energy International Inc	100	Canada	Oil and Gas exploration & production
Sajaa Gas Private Limited Company (“SajGas”)	100	Emirate of Sharjah, UAE	Gas Sweetening
United Gas Transmissions Company Limited (“UGTC”)	100	Emirate of Sharjah, UAE	Gas Transmission
Danagaz (Bahrain) WLL	66	Bahrain	Gas Processing
Joint Ventures	%	Country of operations	Principal activities
Pearl Petroleum Company*	50	Kurdistan Region of Iraq	Oil and Gas exploration & production
UGTC / Emarat	50	Emirate of Sharjah	Gas Transmission
CNGCL	35	Emirate of Sharjah	Gas Marketing
EBGDCO	26.4	Egypt	Gas Processing

These interim condensed consolidated financial statements were approved by the Board of Directors on 13 May, 2009.

* During the period on 5 February 2009 both Crescent Petroleum and Dana Gas have assigned their individual 50% interest to a newly formed company incorporated under the laws of the British Virgin Islands called Pearl Petroleum Company Limited.

2 SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

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.

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 consolidated financial statements do not contain all information and disclosure required for full financial statements prepared in accordance with International Financial Reporting Standards.

Standards and Interpretations

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2008, except for the adoption of the following new Standards and Interpretations as at 1 January 2009. After adoption of IAS 1 Revised, the Group has started disclosing details of transactions with its owners and is showing a single statement

- *IFRS 2 Share Based Payment- Vesting Conditions and Cancellation*
The standard has been amended to clarify the definition of vesting conditions and to prescribe the accounting treatment of an award that is effectively cancelled because a non-vesting condition is not satisfied. The adoption of this amendment did not have any impact on the financial position or performance of the Group.
- *IFRS 8 Operating Segments*
This Standard requires the disclosure of information about the Group's operating segments and replaces the requirement to determine primary (geographical) and secondary (business) reporting segments of the Group. Adoption of this Standard did not have any effect on the financial position or performance of the Group. The Group determined that the operating segments were the same as the geographical segments previously identified under IAS 14 Segment Reporting.
- *IAS 1 Revised Presentation of Financial Statements*
The revised Standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the Standard introduces the statement of comprehensive income: it presents all items of recognized income and expense, either in one single statement, or in two linked statements. The Group has elected to present an income statement and a separate statement of Comprehensive Income. However, during the period as there were no non owner changes in equity, a single statement has been prepared and presented.
- *IAS 23 Borrowing Cost*
The Standard has been revised to require capitalization of borrowing costs on qualifying assets. This had no impact on the Group's financial statements as its accounting policy in this regard requires capitalization of borrowing costs.
- *IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statement – Puttable Financial Instruments and Obligations Arising on Liquidation.*
The Standards have been amended to allow a limited scope exception for puttable financial instruments to be classified as equity if they fulfil a number of specified criteria. The adoption of these amendments did not have any impact on the financial position or performance of the Group.

Dana Gas PJSC and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2009 (Unaudited)

3 SEGMENTAL INFORMATION

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

Period Ended 31 March 2009

	<i>United Arab Emirates USD mm</i>	<i>Egypt USD mm</i>	<i>Kurdistan Region of Iraq USD mm</i>	<i>Rest of the World USD mm</i>	<i>Total USD mm</i>
Revenue					
External sales net of royalties	<u>1</u>	<u>36</u>	<u>8</u>	<u>-</u>	<u>45</u>
Total revenue net of royalties	<u><u>1</u></u>	<u><u>36</u></u>	<u><u>8</u></u>	<u><u>-</u></u>	<u><u>45</u></u>
Results					
Profit before tax, finance cost, investment and finance income					13
Finance costs					(16)
Investment and finance income					<u>2</u>
Loss before income tax					(1)
Income tax expense					<u>(8)</u>
LOSS FOR THE PERIOD					<u><u>(9)</u></u>
Segment assets at 31 March 2009	<u>1,388</u>	<u>1,135</u>	<u>324</u>	<u>93</u>	<u>2,940</u>

Period ended 31 March 2008

	<i>United Arab Emirates USD mm</i>	<i>Egypt USD mm</i>	<i>Kurdistan Region of Iraq USD mm</i>	<i>Rest of the World USD mm</i>	<i>Total USD mm</i>
Revenue					
External sales net of royalties	<u>-</u>	<u>38</u>	<u>-</u>	<u>-</u>	<u>38</u>
Total revenue net of royalties	<u><u>-</u></u>	<u><u>38</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>38</u></u>
Results					
Profit before tax, finance cost, investment and finance income					31
Finance costs					(20)
Investment and finance income					<u>4</u>
Profit before income tax					15
Income tax expense					<u>(8)</u>
PROFIT FOR THE PERIOD					<u><u>7</u></u>
Segment assets at 31 December 2008	<u>1,447</u>	<u>1,116</u>	<u>291</u>	<u>92</u>	<u>2,946</u>

Dana Gas PJSC and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2009 (Unaudited)

4 EARNINGS PER SHARE

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

Diluted earnings per share is calculated by dividing the 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.

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

Three months ended 31 March

	<i>2009</i>	<i>2008</i>
Earnings:		
(Loss) / Profit for the period – USD mm	<u>(9)</u>	<u>7</u>
Shares:		
Weighted average number of shares outstanding for calculating basic EPS- million	<u>6,000</u>	<u>6,000</u>
EPS (Basic & Diluted) - USD:	<u>(0.002)</u>	<u>0.001</u>

As disclosed in Note 10, on 7 July 2008, the conversion rate for the convertible sukuk was determined and was fixed at 17,343.3 shares for every USD 10,000 Sukuk Certificate. As at 31 March 2009 the conversion had an anti-dilutive effect on the EPS of the Company.

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 USD 1.1 billion) and retired debt of USD 127 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 was funded from internal cash and an Islamic Shariah compliant facility provided by Citibank of USD 470 million, which was fully repaid on 31 October 2007 out of the proceeds of the convertible sukuk.

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

	<i>Fair value recognised on acquisition USD mm</i>	<i>Carrying value USD mm</i>
Property, plant and equipment	356	189
Intangible assets	357	24
Other non-current assets	-	2
Current assets	<u>163</u>	<u>163</u>
Total Assets	876	378
Non-current liabilities	(31)	(145)
Current liabilities	<u>(42)</u>	<u>(42)</u>
Value of net assets	803	191
Goodwill arising on acquisition	318	-
Consideration paid	<u><u>1,121</u></u>	

Dana Gas PJSC and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2009 (Unaudited)

5 BUSINESS COMBINATIONS (continued)

Acquisition of Centurion Energy International Inc (continued)

Cash flow on acquisition:	USD mm
Net cash acquired with the subsidiary	57
Cash paid	(1,121)
Net cash outflow	(1,064)

The total consideration of USD 1,121 million represents a cash settlement of USD 973 million, acquisition and related expenses of USD 21 million and debt repayment of USD 127 million.

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 now forms 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 79.2% 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 0.6% 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 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. To date, three development leases have been created from this exploration concession and produce approximately 20.1% of current volumes and produce both natural gas and associated liquids. The company has been granted a third development lease of 7,576 acres following the late 2008 discovery of El Basant.
- 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 50% working interest in this Concession, which includes 5,654,727 acres of exploration land. The Farm-out Agreement was completed in 2007 which gave a 50% working interest to the Kuwait International Oil and Environmental Co. (KIOEC). Centurion remains the Operator of the Concession. During Q1 2009, Centurion has sent a Notice of Default to KIOEC which was followed by a Termination Notice. The issue is not closed yet. Current drilling programs and seismic interpretation are being carried out to explore the acreage. This concession is located in the southern desert of Egypt. To date one development lease has been created from this exploration concession and produces approximately 0.1% of current volumes and produces only oil.

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

- 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.

5 BUSINESS COMBINATIONS (continued)

Acquisition of Centurion Energy International Inc (continued)

- Tunisia Exploration Lease – Centurion has retained the exploration rights in relation to up to a 50 percent working interest in deeper prospective horizons that underlie upper producing horizons. The deeper prospects to which Centurion has retained the rights potentially contain significant gas and petroleum liquid resources. This is based on the presence of a large neighboring structure involving the Triassic reservoir, which is one of the main producing horizons in Algeria and Tunisia.

Centurion Projects

Kom Ombo Farm-out

On 17 April 2007, the Company completed a Farm-out 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 USD 4.4 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 USD 12.5 million. The first of the two installments were paid in 2007 and the second installment was paid on 3 January 2008.

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. It subsequently entered into a Share Purchase Agreement with all the shareholders of Danagaz Bahrain on 29 April 2007 and following fulfillment of conditions precedent to the completion of the acquisition the Company paid the initial provisional purchase price of USD 7 million in December 2007 and retained 10%, being USD 700,000 for potential claims.

Danagaz (Bahrain) is developing a project that involves the installation of a plant in Egypt to extract LPG 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 (EBGDCO). Danagaz will own 40% of EBGDCO, 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) and the land and sea berth arrangements have already been executed. The estimated project cost is around USD 72 million and it is intended to arrange limited-recourse financing for 65% of the project costs. The requisite documentation and implementation of the project to Financial Close has already commenced with the contract award for the LPG Plant planned in second quarter of 2009, with construction hereafter to take up to 18 months.

Dana Gas PJSC and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2009 (Unaudited)

6 INTANGIBLE ASSETS

	<i>Oil and gas interests</i>	<i>Purchase, transmission, sweetening and sale rights</i>	<i>Gas processing rights</i>	<i>Development Cost</i>	<i>Goodwill</i>	<i>Total</i>
	<i>USD mm</i>	<i>USD mm</i>	<i>USD mm</i>	<i>USD mm</i>	<i>USD mm</i>	<i>USD mm</i>
At 1 January 2009	431	857	7	1	308	1,604
Additions	29	-	-	-	-	29
Transfer to PP&E	(56)	-	-	-	-	(56)
At 31 March 2009	404	857	7	1	308	1,577
At 31 December 2008	431	857	7	1	308	1,604

Intangible assets include USD 857 million which 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 will be 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. Commissioning of these upstream facilities is currently in progress for the commencement of gas supplies upon completion.

In accordance with the IAS 36 requirement in respect of intangible assets not yet available for use, management had undertaken an impairment review of the intangible assets as at 31 December 2008. 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. Management 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.

Goodwill relates to the acquisition in January 2007 of Centurion (Note 5) which enabled Dana Gas to acquire the upstream business qualification and therefore the rights to develop the gas fields in Kurdistan region of Iraq. As per requirement of IAS 36, an impairment review has to be carried out annually by the management and the last such review was carried out in December 2008.

7 INVESTMENT PROPERTY

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

	<i>31 March 2009 USD mm</i>	<i>31 December 2008 USD mm (Audited)</i>
Balance at 1 January	110	77
Change in fair value of investment property	-	33
Balance at 31 March / 31 December	110	110

Dana Gas PJSC and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2009 (Unaudited)

7 INVESTMENT PROPERTY (continued)

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 affected as the Group now considers a portion of land to be surplus to their operational requirements and will be used for earning rentals or capital appreciation.

Investment properties are stated at fair value which has been determined based on a valuation performed by a firm of qualified independent property consultants, with reference to comparable market transactions.

8 CASH AND CASH EQUIVALENTS

	<i>31 March 2009 USD mm</i>	<i>31 December 2008 USD mm (Audited)</i>
Cash at bank and on hand		
- Local Banks within UAE	16	24
- Foreign Banks outside UAE	21	10
Short term deposits		
- Local Banks within UAE	139	183
	<u>176</u>	<u>217</u>

Cash at banks earn profit at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one week and three months, depending on the immediate cash requirements of the Group, and earn profit at the respective short-term deposit rates. The fair value of cash and short-term deposits is USD 176 million (2008: USD 217 million). The effective profit rate earned on short term deposits ranged between 2.5% to 6.35% (2008: between 2.5% and 5.25%) per annum

9 SHARE CAPITAL

	<i>31 March 2009 USD mm</i>	<i>31 December 2008 USD mm (Audited)</i>
<i>Authorised:</i> 7,794,000,000 common shares of AED 1 each (USD 0.2728 each)		
<i>Issued and fully paid up:</i> 6,000,000,000 common shares of AED 1 each (USD 0.2728 each)	<u>1,637</u>	<u>1,637</u>

On 15 December 2008 the Company's authorised share capital increased from 6,060,000,000 to 7,794,341,810 shares, an increase of 1,734,341,810 shares. This increase was approved by the Emirates Securities & Commodities Authority to cater for the conversion of the Sukuk in future by the Sukuk holders (note 10).

10 CONVERTIBLE BONDS

In October 2007, the Group issued convertible bonds in the form of Trust Certificates / Sukuk-al-Mudarabah ("the Sukuk") for a total value of USD 1 billion. The Sukuk, which is structured to conform to the principles of Islamic Shariah, was approved by the Company's shareholders at an Extraordinary General Meeting held in July 2007. The Sukuk matures in 2012 and has a fixed profit rate of 7.5% to be paid quarterly. The reference share price for the conversion, based on the terms and conditions of the Sukuk issue, was determined on 7 July 2008. The exchange ratio has been set at 17,343.4 shares for every USD 10,000 Sukuk certificate (i.e. an effective conversion price of AED 2.118 per share). Each Trust Certificate may be redeemed at the option of the holder at any time after 7 July 2008 to the maturity date. It may be converted into shares, or at the option of Dana Gas, into the equivalent sum of money based on the prevailing share price at conversion. Dana Gas may also voluntarily redeem the Trust Certificates under certain conditions.

The Sukuk is secured by way of a pledge over the shares of Dana LNG Ventures Ltd., SajGas and UGTC in accordance with the principles of Islamic Shariah.

During 2008 the company repurchased convertible sukuk of a nominal value of USD 80 million.

11 CONTINGENCIES AND COMMITMENTS

Egypt

Centurion has three drilling rigs under contract in connection with the Years 2009 and 2010 budgeted drilling program in Egypt. In the event that Centurion does not proceed with planned drilling with these rigs, Centurion 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 2009 related to these contracts is approximately USD 14.6 million which could be reduced by farm-outs to other operators.

In March 2006, Centurion 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. As agreed under the terms of the acquisition agreement Centurion has paid USD 13 million as a result of the first Government approved Plan of Development in the West El Manzala Concession. In addition, Centurion has agreed to pay additional payments that could total up to a further USD 12.5 million as and when discovery volumes equal or in excess of 1Tcf of Proved Reserves. Centurion has also granted a three percent net profits interest to CTIP on future profit from the Concessions.

On 14 March 2006, Centurion 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 Centurion has paid USD 6.8 million being its share of the total signature bonus. Centurion is obligated to pay USD 5 million (net) for its share in the minimum expenditure of USD 53 million for the block. This obligation is expected to be paid through 2009. This commitment is supported by a performance bond issued by BNP Paribas and supported by Export Development Canada.

Kurdistan Region of Iraq (KRI) Project

Dana Gas and Crescent have incurred over USD 300 million (each) in expenditure to date although commitments, not yet accrued, amount to approximately USD 50 million (each) for the development project in the Kurdistan Region of Iraq.