# Dana Gas PJSC and Subsidiaries

## INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**30 JUNE 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 30 June 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 utilisation 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.

## Quarter ended June 2009

During the quarter the Company earned Revenue of AED 303 million (30 June 2008: AED 309 million); a 2 % decrease over the corresponding period. The oil and gas production increased to 3.5 million barrels oil equivalent (BOE) as compared to 2.5 million BOE, and the decrease in revenue resulted from lower LPG and Condensates prices.

Gross Profit of AED 97 million (30 June 2008: AED 74 million) was generated during the quarter from the sale of hydrocarbons and was up by 31% over the corresponding period, mainly due to the contribution of revenue from condensate sales in Kurdistan.

The Group generated a net profit of AED 392 million in the second quarter after finance cost of AED 53 million and tax charges of AED 43 million as compared to a net profit of AED 34 million in the same period last year. The significant increase in net profit was mainly due to gain on sale of 5 percent each, of the Company's 50% interest in Pearl Petroleum Company Limited ("PPCL") to each of OMV Upstream International GmbH ("OMV") and MOL Hungarian Oil and Gas Public Limited Company ("MOL") on 15 May 2009, thus leaving a residual ownership of 40% with the Company. This gain has been partially offset by write offs of dry wells and impairment provisions for certain oil and gas assets. Earnings before interest, tax, depreciation, amortisation and exploration (EBITDAX) increased more than 3 times, during the first half, to AED 1,027 million from AED 306 million in the same period last year due to the gain on sale of interest in PPCL.

The results for the quarter ended 30 June 2009 are set out in detail on page 7 of the interim condensed consolidated financial statements.

## 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 30 June 2009 stood at AED 1,096 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 E&P operations***

The Company's production for the 91 days of operations was 3.19 MMBOE i.e. averaging 35 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 (MMscfpd) having successfully brought the El Basant field on stream on 31 March 2009. Total production in Egypt is now running at 37,000 barrels of oil equivalent per day (boepd); a 34% increase on the average rate achieved during Q2-2008.

During the period the Company continued its exploration success by adding four more gas discoveries, one exploration and three appraisals. The new exploration discovery was made in Tulip-1, located in the West Qantara Concession in the Nile Delta region of Egypt. This discovery is expected to add approximately 27 billion cubic feet (bcf) of gas reserves. The three successful appraisals are Sondos-2, El Basant-3 and Salma Delta-2 that confirmed the reserves extension expected for the three fields and increased the company production from 30,000 boepd to 37,000 boepd.

Subsequent to the period, two more exploration gas discoveries were made, Sharabas-1 and Sama-1 in West Manzala and West Qantara concessions respectively. The reserves associated to the two discoveries are 28 bcf gas for Sharabas-1 and 48 bcf gas for Sama-1. Sama-1 has the opportunity to be tied-in to the nearby South El Manzala Plant in the short term, giving the Company the opportunity to achieve an additional production increase up to 40,000 boepd.

The internationally renowned U.K. based petroleum reserves certification firm, Gaffney, Cline & Associates ("GCA") have carried out an independent evaluation of Dana Gas Egypt hydrocarbon reserves as at 31 December 2008. Following this review, the Company's gross proved reserves (1P) as at 31 December 2008 were estimated to be 55.6 MMBOE (31 December 2007: 45.8 MMBOE). The gross proved and probable reserves (2P) as at 31 December 2008 were estimated to be 94.3 MMBOE (31 December 2007: 66.7 MMBOE). The gross proved, probable and possible reserves (3P) as at 31 December 2008 were estimated to be 157.7 MMBOE (31 December 2007: 86.4 MMBOE). The Company has announced several commercial discoveries in the first half and the next reserves review planned for December 2009 shall reflect the new reserves. An evaluation of the exploration potential of 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 which indicates excellent future prospects for the Company in this area.

***Kurdistan Region of Iraq (KRI) Project (Pearl Petroleum Company Limited)***

In April 2007, the Group entered into agreements with the 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 processing and the extraction of LPG and condensate, in order to provide natural gas supplies to fuel domestic electric power generation plants near the major urban centers of Erbil and Suleymania. This project is being implemented jointly with Crescent Petroleum at a total investment of USD 795 million. Further development of the gas reserves are planned to supply natural gas as feedstock and energy for local industries.

**Business Update (continued)**

*Kurdistan Region of Iraq (KRI) Project (Pearl Petroleum Company Limited) - continued*

The mechanical completion of the 180 km pipeline from Khor Mor to the Erbil power station was achieved in late September and the Early Production Facilities (EPF) were successfully installed. Commissioning of the EPF occurred in early August 2008, 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 of Dana Gas and its partner Crescent Petroleum.

On 15 May 2009, Dana Gas and Crescent signed a Share Sale Agreement with two Central European strategic partner companies and Nabucco Project Founders, OMV Upstream International GmbH ("OMV") and MOL Hungarian Oil and Gas Public Limited Company ("MOL") whereby an equity interest of 5% each was sold by Dana Gas and Crescent to OMV and MOL respectively. The high profile transaction underpinned the companies thrust and access into the huge European gas market.

*Kurdistan Gas City*

Dana Gas in joint venture with Crescent Petroleum has been provisionally allocated a 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 one of 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 by NIOC, with the construction and interconnection of the Company's facilities in the UAE have long been successfully completed. The ultimate supplier of gas, the National Iranian Oil Company ("NIOC"), has finally 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 currently being undertaken by NIOC for completion in the second half of 2009. Crescent Petroleum, which has a gas supply contract with NIOC, has recently served NIOC with an arbitration notice pursuant to its internationally binding contract, in response to demands for performance by customers in the UAE given the three and a half year of delays in delivering of the contractual commitments of natural gas by NIOC.

**Business Update (continued)**

***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 the Egyptian National Gas Company (EGAS) and the Arab Petroleum Investments 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 for the LPG Plant was awarded in June 2009, with construction to take up to 18 months.

***Sharjah Western Offshore Concession***

In March 2008, Dana Gas was awarded a 25 year oil and gas 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 GCC exploration and production sector, and will also be the first offshore upstream asset for the Company.

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. This project will add significant production and revenues to Dana Gas 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 three exploration wells on the block, first of which is planned to spud during the third quarter 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-Qasimi, Honorary Chairman
Mr. Hamid Dhiya Jafar, Chairman
Dr. Adel Khalid Al-Sabeeh, Deputy Chairman
Mr. Ahmed Rashid Al-Arbeed, Chief Executive Officer
Mr. Rashid Saif Al-Jarwan, Executive Director
H.E. Sheikh Sultan Bin Ahmed Bin Sultan Al-Qasimi
Mr. Abdulaziz Hamad Aljomaih
Mr. Abdulla Nasser Huwaileel Al-Mansoori (until 22 April 2009)
Mr. Adib Abdullah Al-Zamil
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

The following Directors were appointed at 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 August 2009

Ernst & Young

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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 statement of financial position of Dana Gas PJSC ("the Company") and its subsidiaries ("the Group") as at 30 June 2009, the related interim consolidated income statement and the interim consolidated statement of comprehensive income for the three month and six month periods then ended, the interim consolidated statements of cash flows and changes in equity for the six 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.

***Emphasis of matter***

Without qualifying our conclusion we draw attention to note 7 to the interim condensed consolidated financial statements which discloses that the continued delay in commencement of gas supplies has prompted a key supplier of the Group to initiate arbitration proceedings against its ultimate supplier.

Ernst & Young

Signed by
Edward Quinlan
Partner
Registration No. 93

Sharjah
13 August 2009

## INTERIM CONSOLIDATED INCOME STATEMENT
Period ended 30 June 2009 (Unaudited)

| | | *Six months ended* | | | | *Three months ended* | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | ***30 June 2009*** | | *30 June 2008* | | ***30 June 2009*** | | *30 June 2008* | |
| | *Note* | ***USD mm*** | ***AED mm*** | *USD mm* | *AED mm* | ***USD mm*** | ***AED mm*** | *USD mm* | *AED mm* |
| Revenue | | **150** | **550** | 158 | 581 | **83** | **303** | 84 | 309 |
| Less: royalties | | **(49)** | **(180)** | (71) | (262) | **(27)** | **(99)** | (35) | (131) |
| Net revenue | | **101** | **370** | 87 | 319 | **56** | **204** | 49 | 178 |
| Cost of sales | | **(17)** | **(62)** | (13) | (48) | **(8)** | **(29)** | (8) | (28) |
| Depreciation and depletion | | **(39)** | **(143)** | (43) | (158) | **(21)** | **(78)** | (21) | (76) |
| Gross profit | | **45** | **165** | 31 | 113 | **27** | **97** | 20 | 74 |
| Investment and finance income | | **4** | **15** | 8 | 29 | **2** | **8** | 4 | 15 |
| Other income/expense (net) | 4 | **225** | **825** | 21 | 77 | **223** | **819** | 9 | 32 |
| Change in fair value of investment property | 9 | **(55)** | **(202)** | 28 | 103 | **(55)** | **(202)** | 13 | 47 |
| General and administration expenses | | **(29)** | **(106)** | (11) | (42) | **(22)** | **(80)** | (5) | (18) |
| Exploration expenses | | **(42)** | **(154)** | (3) | (9) | **(42)** | **(154)** | (2) | (7) |
| Finance costs | | **(30)** | **(110)** | (38) | (140) | **(14)** | **(53)** | (18) | (67) |
| **PROFIT BEFORE TAX** | | **118** | **433** | 36 | 131 | **119** | **435** | 21 | 76 |
| Income tax expense | | **(20)** | **(73)** | (20) | (72) | **(12)** | **(43)** | (12) | (42) |
| **PROFIT FOR THE PERIOD** | | **98** | **360** | 16 | 59 | **107** | **392** | 9 | 34 |
| Basic and diluted earnings per share (USD / AED per share) | 5 | **0.016** | **0.06** | 0.003 | 0.009 | **0.0178** | **0.065** | 0.0015 | 0.0056 |

The attached explanatory notes 1 to 15 form part of these interim condensed consolidated financial statements.

# INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Period ended 30 June 2009 (Unaudited)

| | *Six months ended* | | | | *Three months ended* | | | |
|---|---|---|---|---|---|---|---|---|
| | ***30 June 2009*** | | *30 June 2008* | | ***30 June 2009*** | | *30 June 2008* | |
| | ***USD mm*** | ***AED mm*** | *USD mm* | *AED mm* | ***USD mm*** | ***AED mm*** | *USD mm* | *AED mm* |
| **Profit for the period** | **98** | **360** | 16 | 59 | **107** | **392** | 9 | 34 |
| Fair value gain on available-for-sale financial asset (note 8) | **10** | **37** | - | - | **10** | **37** | - | - |
| **Other comprehensive income for the period** | **10** | **37** | - | - | **10** | **37** | - | - |
| **Total comprehensive income for the period** | **108** | **397** | 16 | 59 | **117** | **429** | | |

The attached explanatory notes 1 to 15 form part of these interim condensed consolidated financial statements.

## INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2009 (Unaudited)

| | Note | *30 June 2009* USD mm | *30 June 2009* AED mm | *31 December 2008* USD mm | *31 December 2008* AED mm (Audited) |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Non-current assets** | | | | | |
| Property, plant and equipment | | 872 | 3,196 | 817 | 2,996 |
| Intangible assets | 7 | 1,474 | 5,403 | 1,604 | 5,878 |
| Available-for-sale financial assets | 8 | 190 | 695 | - | - |
| Investment property | 9 | 55 | 202 | 110 | 403 |
| | | 2,591 | 9,496 | 2,531 | 9,277 |
| **Current assets** | | | | | |
| Inventories | | 57 | 208 | 58 | 211 |
| Accounts receivable and prepayments | | 108 | 396 | 132 | 484 |
| Financial assets at fair value through profit or loss | 10 | 8 | 28 | 8 | 28 |
| Cash and cash equivalents | 11 | 299 | 1,096 | 217 | 798 |
| | | 472 | 1,728 | 415 | 1,521 |
| **TOTAL ASSETS** | | 3,063 | 11,224 | 2,946 | 10,798 |
| **EQUITY** | | | | | |
| **Capital and reserves attributable to equity holders of the Company** | | | | | |
| Share capital | 12 | 1,637 | 6,000 | 1,637 | 6,000 |
| Statutory reserve | | 28 | 104 | 28 | 104 |
| Legal reserve | | 28 | 104 | 28 | 104 |
| Retained earnings | | 321 | 1,172 | 225 | 819 |
| Other reserve | | 15 | 55 | 4 | 15 |
| Convertible bonds- equity component | 13 | 48 | 176 | 48 | 176 |
| Attributable to shareholders of the Company | | 2,077 | 7,611 | 1,970 | 7,218 |
| **Minority interest in equity** | | 1 | 3 | 1 | 3 |
| **Total equity** | | 2,078 | 7,614 | 1,971 | 7,221 |
| **LIABILITIES** | | | | | |
| **Non-current liabilities** | | | | | |
| Convertible bonds | 13 | 863 | 3,163 | 856 | 3,138 |
| Provisions | | 10 | 36 | 10 | 35 |
| | | 873 | 3,199 | 866 | 3,173 |
| **Current liabilities** | | | | | |
| Trade payables & accruals | | 112 | 411 | 109 | 403 |
| Short term portion of finance lease obligations | | - | - | - | 1 |
| | | 112 | 411 | 109 | 404 |
| **Total liabilities** | | 985 | 3,610 | 975 | 3,577 |
| **TOTAL EQUITY AND LIABILITIES** | | 3,063 | 11,224 | 2,946 | 10,798 |

Director
13 August 2009

Director
13 August 2009

The attached explanatory notes 1 to 15 form part of these interim condensed consolidated financial statements.

## INTERIM CONSOLIDATED CASH FLOW STATEMENT
Period ended 30 June 2009 (Unaudited)

| | | *Six months ended 30 June* | | | |
|---|---|---|---|---|---|
| | | *2009* | | *2008* | |
| | *Note* | *USD mm* | *AED mm* | *USD mm* | *AED mm* |
| **OPERATING ACTIVITIES** | | | | | |
| Profit for the period before tax | | **118** | **433** | 36 | 131 |
| Adjustments for: | | | | | |
| Depreciation and depletion | | **39** | **143** | 43 | 158 |
| Investment and finance income | | **(4)** | **(15)** | (8) | (29) |
| Change in fair value of investment property | 9 | **55** | **202** | (28) | (103) |
| Other income / expense (net) | 4 | **(225)** | **(825)** | - | - |
| Finance costs | | **30** | **110** | 48 | 176 |
| Exploration expenditure | | **42** | **154** | - | - |
| Gain on disposal of assets held for sale | | **-** | **-** | (12) | (45) |
| Provision for doubtful debts | | **15** | **55** | - | - |
| Board compensation | | **(2)** | **(7)** | (2) | (9) |
| | | **68** | **250** | 77 | 279 |
| Change in working capital: | | | | | |
| Accounts receivable and prepayments | | **9** | **26** | (24) | (88) |
| Inventories | | **1** | **3** | (6) | (23) |
| Accounts payable and accruals | | **3** | **8** | (21) | (74) |
| Income tax | | **(20)** | **(73)** | (20) | (72) |
| Net cash generated from operating activities | | **61** | **214** | 6 | 22 |
| **INVESTING ACTIVITIES** | | | | | |
| Purchase of property, plant and equipment | | **(89)** | **(325)** | (159) | (586) |
| Expenditure on intangibles | 7 | **(35)** | **(126)** | (12) | (41) |
| Proceeds from sale of interest in joint venture | | **177** | **650** | - | - |
| Financial assets at fair value through profit or loss | | **-** | **-** | (10) | (37) |
| Investment and finance income | | **3** | **11** | 6 | 22 |
| Proceeds from sale of assets held for sale | | **-** | **-** | 46 | 170 |
| Net cash generated from/ (used) in investing activities | | **56** | **210** | (129) | (472) |
| **FINANCING ACTIVITY** | | | | | |
| Finance costs | | **(35)** | **(126)** | (38) | (140) |
| Cash used in financing activity | | **(35)** | **(126)** | (38) | (140) |
| **INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS** | | **82** | **298** | (161) | (590) |
| Cash and cash equivalents at the beginning of the period | | **217** | **798** | 541 | 1,983 |
| **CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD** | | **299** | **1,096** | 380 | 1,393 |

The attached explanatory notes 1 to 15 form part of these interim condensed consolidated financial statements.

## INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Period ended 30 June 2009 (Unaudited)

| | *Attributable to shareholders of the Company* | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | *Share capital* | | *Statutory reserves* | | *Legal reserves* | | *Retained earnings* | | *Other 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** |
| Other comprehensive income | - | - | - | - | - | - | - | - | 10 | 37 | - | - | - | - | 10 | 37 |
| Share based payment | - | - | - | - | - | - | - | - | 1 | 3 | - | - | - | - | 1 | 3 |
| Board compensation | - | - | - | - | - | - | (2) | (7) | - | - | - | - | - | - | (2) | (7) |
| Net income and expense directly recognised in equity | - | - | - | - | - | - | (2) | (7) | 11 | 40 | - | - | - | - | 9 | 33 |
| Profit for the period | - | - | - | - | - | - | 98 | 360 | - | - | - | - | - | - | 98 | 360 |
| Total income and expense for the period | - | - | - | - | - | - | 96 | 353 | 11 | 40 | - | - | - | - | 107 | 393 |
| **At 30 June 2009** | **1,637** | **6,000** | **28** | **104** | **28** | **104** | **321** | **1,172** | **15** | **55** | **48** | **176** | **1** | **3** | **2,078** | **7,614** |
| At 1 January 2008 | 1,637 | 6,000 | 25 | 92 | 25 | 92 | 200 | 732 | - | - | 52 | 191 | - | - | 1,939 | 7,107 |
| Board compensation | - | - | - | - | - | - | (2) | (9) | - | - | - | - | - | - | (2) | (9) |
| Net income and expense directly recognised in equity | - | - | - | - | - | - | (2) | (9) | - | - | - | - | - | - | (2) | (9) |
| Profit for the period | - | - | - | - | - | - | 16 | 59 | - | - | - | - | - | - | 16 | 59 |
| Total income and expense for the period | - | - | - | - | - | - | 16 | 59 | - | - | - | - | - | - | 16 | 59 |
| At 30 June 2008 | 1,637 | 6,000 | 25 | 92 | 25 | 92 | 214 | 782 | - | - | 52 | 191 | - | - | 1,953 | 7,157 |

The attached explanatory notes 1 to 15 form part of these interim condensed consolidated financial statements.

## 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, London, Kurdistan region of Iraq, Bahrain and Cairo.

Principal subsidiaries and jointly controlled entities of the Group at 30 June 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 |
| Dana Gas Egypt (previously Centurion) | 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* Limited ("PPCL") | 40 | 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 August, 2009.

* On 5 February 2009 Dana Gas and Crescent assigned their individual 50% interest in an unincorporated joint venture to a newly formed company incorporated under the laws of British Virgin Islands called Pearl Petroleum Company Limited (PPCL). All the assets and liabilities of the Joint Venture as at 4 February 2009 were transferred at cost to PPCL

On 15 May 2009, Dana Gas and Crescent signed a Share Sale Agreement with OMV Upstream International GmbH ("OMV") and MOL Hungarian Oil and Gas Public Limited Company ("MOL") wherein an equity interest of 5% each was sold by Dana Gas and Crescent to OMV and MOL respectively. Consequently, the new shareholding interest in PPCL is as follows: 40% to Dana Gas, 40% to Crescent, 10% to OMV and 10% to MOL.

## 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 if 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.

- *IAS 23 Borrowing Cost*
  The Standard has been revised to require capitalisation of borrowing costs on qualifying assets. This had no impact on the Group's financial statements as its accounting policy in this regard requires capitalisation 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.

## 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 30 June 2009**

| | *United Arab Emirates USD mm* | *Egypt USD mm* | *Kurdistan Region of Iraq USD mm* | *Rest of the World USD mm* | *Total USD mm* |
|---|---|---|---|---|---|
| **Revenue** | | | | | |
| External sales net of royalties | **2** | **82** | **17** | **-** | **101** |
| **Total revenue net of royalties** | **2** | **82** | **17** | **-** | **101** |
| **Results** | | | | | |
| Profit before tax, finance cost, investment and finance income | | | | | **144** |
| Finance costs | | | | | **(30)** |
| Investment and finance income | | | | | **4** |
| Profit before income tax | | | | | **118** |
| Income tax expense | | | | | **(20)** |
| **PROFIT FOR THE PERIOD** | | | | | **98** |
| Segment assets at 30 June 2009 | **1,671** | **1,077** | **291** | **24** | **3,063** |

**Period ended 30 June 2008**

| | *United Arab Emirates USD mm* | *Egypt USD mm* | *Kurdistan Region of Iraq USD mm* | *Rest of the World USD mm* | *Total USD mm* |
|---|---|---|---|---|---|
| **Revenue** | | | | | |
| External sales net of royalties | 1 | 86 | - | - | 87 |
| Total revenue net of royalties | - | 86 | - | - | 87 |
| **Results** | | | | | |
| Profit before tax, finance cost, investment and finance income | | | | | 66 |
| Finance costs | | | | | (38) |
| Investment and finance income | | | | | 8 |
| Profit before income tax | | | | | 36 |
| Income tax expense | | | | | (20) |
| **PROFIT FOR THE PERIOD** | | | | | 16 |
| Segment assets at 31 December 2008 | 1,447 | 1,131 | 291 | 77 | 2,946 |

## 4 OTHER INCOME / EXPENSE (NET)

| | *Six months ended 30 June* | |
|---|---|---|
| | ***2009*** | *2008* |
| | ***USD mm*** | *USD mm* |
| Gain on sale of interest in PPCL (note 15) | **291** | - |
| Provision for impairment (note 7) | **(69)** | |
| Gain on disposal of interest in West Gharib | **-** | 12 |
| Others | **3** | 9 |
| | **225** | 21 |

## 5 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.

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

| | *Six months ended 30 June* | |
|---|---|---|
| | ***2009*** | *2008* |
| **Earnings:** | | |
| Profit for the period- USD mm | **98** | 16 |
| **Shares:** | | |
| Weighted average number of shares outstanding for calculating basic EPS- million | **6,000** | 6,000 |
| Weighted average number of shares which may be issued upon conversion of the convertible notes- million | **1,734** | 1,734 |
| Weighted average number of shares outstanding for calculating diluted EPS | **7,734** | 7,734 |
| **EPS (Basic & Diluted) - USD** | **0.016** | 0.003 |

As disclosed in Note 10, on 7 July 2008, conversion rate for convertible sukuk was determined and has been fixed at 17,343.3 shares for every USD 10,000 Sukuk Certificate. As at 30 June 2009 the conversion had an anti-dilutive effect on the EPS of the company.

## 6 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:

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

| **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 68.1% 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 0.1% 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.

**6 BUSINESS COMBINATIONS (continued)**

**Acquisition of Centurion Energy International Inc (continued)**

- West El Manzala Exploration Concession – Centurion holds a 100% working interest in this Concession, which includes 476,216 acres of exploration land. The expiry date of the Exploration Concession and the total relinquishment of the non-productive land is 30th June 2010. 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 31.3% of current volumes and produce both natural gas and associated liquids. The company has been granted a fourth development lease of 3,608 acres following the early 2009 discovery of Sondos.

- West El Qantara Exploration Concession – Centurion holds a 100% working interest in this Concession, which includes 319,618 acres of exploration land. The expiry date of the Exploration Concession and the total relinquishment of the non-productive land is 30th June 2010. Current drilling programs and seismic interpretation are being carried out to explore the acreage. This concession is located in the Nile Delta of Egypt. Two discoveries have been made (Salma and Tulip) during the last 6 months and the fields are currently under appraisal.

- 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 0.5% 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.

- 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.

**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 during the period the remaining 10%, being USD 700,000 retained for potential claims was also released.

**6 BUSINESS COMBINATIONS (continued)**

**Acquisition of Danagaz (Bahrain) (continued)**

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 83 million and it is intended to arrange limited-recourse financing for 65% of the project costs. The contract for the LPG Plant was awarded in June 2009, with construction to take up to 18 months.

**7 INTANGIBLE ASSETS**

| | *Oil and gas interests USD mm* | *Purchase, transmission, sweetening and sale rights USD mm* | *Gas processing rights USD mm* | *Development cost USD mm* | *Goodwill USD mm* | *Total USD mm* |
|---|---|---|---|---|---|---|
| At 1 January 2009 | 431 | 857 | 7 | 1 | 308 | 1,604 |
| Additions | 35 | - | - | - | - | 35 |
| Transfer to PP&E | (96) | - | - | - | - | (96) |
| Provision for Impairment | (69) | - | - | - | - | (69) |
| **At 30 June 2009** | **301** | **857** | **7** | **1** | **308** | **1,474** |
| 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. 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 second half of 2009. Crescent Petroleum, which has the gas supply contract with NIOC, has recently announced that it is taking NIOC to international arbitration pursuant to its contract, in response to demands for performance by customers in the UAE given the three and a half years of delays in delivery of the contractual commitments of natural gas by NIOC.

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 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. The Company has been provided, by Crescent, a legal opinion by an international law firm which states that Crescent has a strong claim against NIOC for its failure to deliver gas pursuant to the terms of the gas supply contract. Crescent is seeking an arbitral ruling on "specific performance" by NIOC of its contractual commitments to deliver gas. The management therefore believes that the aforementioned arbitration process will result in successful resolution so that post completion of commissioning by the ultimate gas supplier, the gas deliveries commence on this project and hence no provision is required at this stage.

## 7 INTANGIBLE ASSETS (continued)

Management has carried out a half year review of each of the oil and gas interests and in view of the current commercial environment, has created a provision for impairment amounting to USD 69 million against certain projects.

Goodwill relates to the acquisition in January 2007 of Centurion (note 6) 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.

## 8 AVAILABLE-FOR-SALE FINANCIAL ASSETS

| | ***30 June 2009*** ***USD mm*** |
|---|---|
| Balance at 1 January | - |
| Additions | **180** |
| Gain on change in fair value | **10** |
| Balance at 30 June | **190** |

Available-for-sale financial assets are 3,135,571 ordinary shares in MOL as consideration for the disposal of an interest in PPCL. The shares are listed on the Budapest Stock Exchange.

## 9 INVESTMENT PROPERTY

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

| | ***30 June 2009*** ***USD mm*** | *31 Dec 2008* *USD mm* |
|---|---|---|
| Balance at 1 January | **110** | 77 |
| Transferred from property, plant and equipment | **-** | - |
| Change in fair value of investment property | **(55)** | 33 |
| Balance at 30 June / 31 December | **55** | 110 |

Investment property consists of freehold land transferred from property, plant and equipment. This freehold land is industrial land owned by SajGas, a subsidiary, 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 held for 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. This valuation reflects the recent sharp drop in property values in the UAE generally and has therefore resulted in a decrease in the fair value by USD 55 million (31 December 2008: increase of USD 33 million) which was charged to the consolidated income statement.

## 10 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS ACCOUNT

| | ***30 June 2009 USD mm*** | *31 December 2008 USD mm (Audited)* |
|---|---|---|
| Balance at 1 January | **8** | - |
| Investment during the year | - | 10 |
| Investment redeemed during the year | - | (1) |
| Fair value loss | - | (1) |
| Balance at 30 June / 31 December | **8** | 8 |

## 11 CASH AND CASH EQUIVALENTS

| | ***30 June 2009 USD mm*** | *31 December 2008 USD mm (Audited)* |
|---|---|---|
| Cash at bank and on hand | | |
| - Local Banks within UAE | **20** | 24 |
| - Foreign Banks outside UAE | **15** | 10 |
| Short term deposits | | |
| - Local Banks within UAE | **264** | 183 |
| | **299** | 217 |

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 299 million (2008: USD 217 million). The effective profit rate earned on short term deposits ranged between 2.5% to 6.1% (2008: between 2.5% and 5.25%) per annum

## 12 SHARE CAPITAL

| | ***30 June 2009 USD mm*** | *31 December 2008 USD mm (Audited)* |
|---|---|---|
| *Authorised:* | | |
| 7,794,000,000 common shares of AED 1 each (USD 0.2728 each) | | |
| *Issued and fully paid up:* | | |
| 6,000,000,000 common shares of AED 1 each (USD 0.2728 each) | **1,637** | 1,637 |

## 13 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 Sukuks of a nominal value of USD 80 million.

## 14 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 30 June 2009 related to these contracts is approximately USD 8.4 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.

### Pearl Petroleum Company Limited

Dana Gas has incurred over USD 272 million in expenditure to date although commitments, not yet accrued, amount to approximately USD 16 million (40% share) for the development project in the Kurdistan Region of Iraq.

## 15 DISPOSAL OF INTEREST IN JOINT VENTURE

**Disposal of Interest in Pearl Petroleum Company Limited**

On 15 May 2009, Dana Gas and Crescent signed a Share Sale Agreement with OMV Upstream International GmbH ("OMV") and MOL Hungarian Oil and Gas Public Limited Company ("MOL") wherein an equity interest of 5% each was sold by Dana Gas and Crescent to OMV and MOL respectively. Consequently, the new shareholding interest in PPCL is as follows: 40% to Dana Gas, 40% to Crescent, 10% to OMV and 10% to MOL

The assets and liabilities transferred by Dana Gas as a result of the disposal and the related consideration is presented below:

| | *USD mm* |
|---|---|
| Non-current assets | **64** |
| Other current assets | **6** |
| Current liabilities | **(7)** |
| **Total carrying amount of net assets disposed** | **63** |
| Costs on disposal | **4** |
| | **67** |
| **Less: Total consideration** | **358** |
| **Profit on sale of interest** | **291** |