

Interim Financial Information

(Un-audited)

For the 3rd Quarter Ended
March 31, 2012



Mari Gas Company Limited

Contents

Board of Directors	03
Directors' Review	04
Condensed Interim Balance Sheet	10
Condensed Interim Profit and Loss Account	12
Condensed Interim Statement of Comprehensive Income	13
Condensed Interim Cash Flow Statement	14
Condensed Interim Statement of Changes in Equity	15
Selected Explanatory Notes to the Condensed Interim Financial Information	16

BOARD OF DIRECTORS

1. LT GEN MUHAMMAD MUSTAFA KHAN (RETD)
Managing Director, Fauji Foundation Chairman
2. LT GEN (R) RAZA MUHAMMAD KHAN
Managing Director/CEO, Mari Gas Co Limited Chief Executive
3. MR QAISER JAVED
Director Finance, Fauji Foundation
4. DR NADEEM INAYAT
Director Investment, Fauji Foundation
5. MAJ GEN (R) ZAHID PARVEZ
Director Welfare Education, Fauji Foundation
6. BRIG (R) DR GULFAM ALAM
Director P&D, Fauji Foundation
7. MR SHER MUHAMMAD KHAN
DG Petroleum Concessions, Ministry of P&NR
8. MR PERVAIZ AKHTAR
Financial Advisor, Ministry of P&NR
9. MR BASHARAT A. MIRZA
Managing Director/CEO, OGDCL
10. MR MUHAMMAD RIAZ KHAN
Executive Director Production, OGDCL
11. MR LIAQAT ALI
Member MGCL Board of Directors
12. MR MANZOOR AHMED
Chief Operating Officer/SEVP NITL

COMPANY SECRETARY

MR ASSAD RABBANI

DIRECTORS' REVIEW

We are pleased to present to you financial information for the third quarter ended March 31, 2012.

FINANCIAL RESULTS

Gross sales for the third quarter amounted to Rs. 14,789 million as against Rs 7.365 million in the comparative period whereas gross sales for nine months ended March 31, 2012 aggregated to Rs 32,344 million as against cumulative sales for the corresponding period of Rs 23,010 million. The increase is mainly due to increase in gas sale volume and increase in average selling price. The operating results for 3rd quarter show profit after tax of Rs 361.34 million as against Rs 818.37 million for the corresponding quarter of the previous income year. The cumulative profit after tax for the Nine months to March 31, 2012 is Rs 1,757.63 million as against Rs 1,347.64 million of the corresponding period of the previous income year. The main reason for increase in profit is increase in wellhead value, other income and decrease in taxation which is partially offset by increase in royalty, operating expenses and finance costs.

Presently the shareholders are entitled to guaranteed rate of return of 30% per annum. The return to shareholders is escalated in the event of increase in the Company's production beyond the level of 425 MMSCFD at the rate of 1% for each additional 20 MMSCFD of gas or equivalent oil produced, prorated for part thereof on annual basis, subject to a maximum of 45% per annum. Accordingly, based on this arrangement under Gas Price Agreement, additional return of 6.56% has been provisionally provided for in the financial information for the nine months ended March 31, 2012. Any adjustment/ variance do not affect the minimum guaranteed rate of return to the shareholders.

OPERATIONS

The company continued un-interrupted gas supply from July 01, 2011 to March 31, 2012 to all its customers namely, Engro Fertilizer Limited, Fauji Fertilizer Company Limited, Fatima Fertilizer Company Limited, Pakistan Electric Power Company Limited, Foundation Power Company Daharki Limited, Sui Northern Gas Pipelines Limited and Sui Southern Gas Co. Ltd. The cumulative gas of 151,697 MMSCF (at a daily average of 552 MMSCF) and 18,894 barrel of condensate were produced from Mari Field during the period as against 137,554 MMSCF of gas (at a daily average of 502 MMSCF) and 3,171 barrel of condensate for the corresponding period of last year which is as per the withdrawal/ requirement of the customers. In addition, 776 MMSCF of gas, 28,270 barrel of condensate, 28,215 barrel of crude oil and 1,720 metric ton of LPG was produced and sold from joint ventures during this period, whereas 1,169 MMSCF of Gas, 93,263 barrels of condensate and 3,133 metric ton of LPG were produced and sold in the comparative period.

Regular maintenance of gas gathering network and production facilities was carried out and production optimization plans were followed as per the good oil/gas field practices, effective production and reservoir management.

FUTURE CHALLENGES

Commencement of Goru-B Gas Production

Dehydrated gas is being supplied to Foundation Power Company Daharki Limited as per their requirement.

Economic Coordination Committee (ECC) has allocated unutilized gas by M/s Star Power (44 MMSCFD) to Pakistan Electric Power Company Limited through Sui Northern Gas Pipeline Ltd (SNGPL) for a period of two years. In this regard, laying of pipeline by M/s SNGPL was completed and gas supply has started on March 10, 2012.

Development of Zarghun Gas Field

Project is stalled due to poor law and order situation and negative economics.

The study for carrying out reserves evaluation and certification of Zarghun gas for tight gas under 2011 Policy has been awarded to M/s De Golyer & MacNaughton Canada Limited. The consultant has commenced the study and preliminary report shall be available by the end of second week of April, 2012.

The Joint venture has approved to carry out detailed engineering study of Zarghun field. Terms of References for the said study have been prepared and RFQ has been floated to prequalified bidders.

Deployment of Rig Mari-1 as drilling contractor

Rig maintenance of different equipment was undertaken during the period and now the rig has been deployed at Mian Miro well, Sukkur Block.

EXPLORATION ACTIVITIES

MGCL's working interests in exploration licenses in Pakistan and Overseas are as follows:

Sr. No	Name of Block	MGCL's Working Interest	Name of Operator
1	Ziarat Exploration License	60%	MGCL
2	Karak Exploration License	60%	MGCL
3	Sukkur Exploration License	58.8%	MGCL
4	Hanna Exploration License	100%	MGCL
5	Harnai Exploration License	40%	MGCL
6	Sujawal Exploration License	100%	MGCL
7	Ghauri Exploration License	65%	MGCL
8	Hala Exploration License	35%	PPL
9	Zindan Exploration License	35%	PPL
10	Kohlu Exploration License	30%	OGDCL
11	Kalchas Exploration License	20%	OGDCL
12	Kohat Exploration License	20%	OGDCL
13	Bannu West Exploration License	10%	Tullow Pakistan
14	Oman 43B (Overseas Block)	25%	MOL

Operated blocks

Ziarat Block

M/s BGP is not willing to mobilize its crew in Ziarat area for seismic data acquisition due to non-clearance from its Head Office China on security concerns.

DGPC has granted one year extension w.e.f. February 02, 2012 to fulfill the outstanding commitment of 170L. Km 2D seismic data acquisition.

On the basis of Nitrogen kick-off results, MGCL and JV Partner have decided to install the Jet Pump to bring the well on production. The delivery of jet pump is expected in October 2012 and workover is planned to install the Pump in November 2012.

Karak Block

EWT at the well is in progress as per GOP approval. The well is on normal production and flowing at the rate of \pm 650 bbls per day. Halini well is on production since October 2011 and 46,530 bbl (MGCL Share 27,918 bbl) of Crude Oil were produced and sold from the well during the period.

The bids for detailed engineering and procurement of storage/separation battery, power generation etc are in progress.

Bidding process for planned 2D / 3D seismic data acquisition has been initiated. Technical and financial evaluations of 2D seismic bids have been completed. Bids for 3D seismic data acquisition over Halini Discovery Area have been received.

In-addition, in-house G & G studies and post well evaluation is in progress to evaluate Halini discovery area. Geological fieldwork was successfully completed to map/ identify the surface structures and collect the samples for source rock studies.

Sukkur Block

EWT has been started on October 08, 2011 and 2.3 MMSCFD gas is being supplied to Sui Northern Gas Pipeline Ltd. Koonj Well-1 is on production since October 2011 and 489.481 MMSCF (MGCL's share 287.913 MMSCF) of Gas was produced and sold from the well during the period.

Based on the results of reprocessed test line, further reprocessing of selected seismic data will be decided to evaluate the hydrocarbons potential of Lower Goru Sands.

The third exploratory well Mian Miro-1 has been spud-in on April 12, 2012 to test the hydrocarbons potential of Sui Main Limestone/ Sui Upper Limestone.

Hanna Block

Preparations are underway to drill the first exploratory well Hanna X-1 in fourth quarter 2012 in the block to test the hydrocarbons potential of Dunghan and Chiltan limestones.

Harnai Block

MGCL is in constant communication with BGP and pursuing it to resume seismic operations to acquire outstanding 146 line km 2D seismic data in the block. However, M/s BGP is monitoring the security situation.

DGPC has granted one year extension in the third license year w.e.f. June 21, 2011 to June 20, 2012.

Sujawal Block

DGPC granted one year extension w.e.f December 19, 2011 for carrying out EWT at Sujawal X-1 Well with first gas delivery date of December 21, 2012 and allocated 10 MMSCFD gas to Sui Southern Gas Co. Ltd (SSGCL) from Sujawal. The negotiations are underway with SSGCL.

The selection of consultant for detailed engineering of the project is in progress. The planning is in progress to bring the well on production during fourth quarter 2012. The Company is also planning for 2D seismic data acquisition to delineate additional leads in the block.

Ghuri Block

Bids have been invited for 2D seismic data acquisition of 200 line km over the Shahab and Harno prospects. A TCM/OCM was held on April 11, 2012, wherein the budget and work program including seismic data acquisition has been finalized.

Mari D&P Lease

Reprocessing of 1000 line km 2D and 80 sq. km 3D seismic data is in progress at M/s Fugro Seismic Imaging (FSI), UK. The said re-processing would be followed by interpretation / mapping to place additional wells in Mari D & P Lease Area.

Planning for 3D seismic data acquisition of 1000 sq. km is also in progress for better imaging at target reservoir levels.

Non - Operated blocks

Hala Block

Adam discovery is under production since December 2009. 1,271.851 MMSCF (MGCL's share - 445.148 MMSCF) of Gas, 80,065 bbl (MGCL's share - 28,023 bbl of condensate) and 4,914 M. Ton (MGCL's share - 1,720 M.Ton) of LPG were produced and sold from the well during the period.

In addition, JV Partners are planning to drill another well at Adam prospect namely, Adam North Well -1 to fully drain the hydrocarbons from reservoir and also to avoid complications being faced at Adam X-1. DGPC has been requested for 18 months extension in phase-II of Exploration License in the block for which its response is awaited.

The joint venture is also planning to conduct frac jobs in Upper Basal Sand unit at Bhit Shah Well # 1 for which feasibility and its economics is being evaluated.

Zindan Block

The joint venture has planned to acquire 477 line km 2D seismic data over the Marwat and other leads. The said data acquisition would be followed by processing/interpretation to identify drillable prospects.

A TCM/OCM was held on April 13, 2012 in which the work program and budget for 2012-13 was discussed and approved.

DGPC has granted one year extension in second license year w.e.f. February 16, 2012.

Kohlu Block

Exploration activities in the block are suspended, due to security clearance.

Kalchas Block

Technical Workshops were held on March 01, and April 09, 2012 to discuss the possibilities of drilling of Kup and Mari Structures. Presently, discussion / deliberations are in progress on the merits and de-merits for drilling of both the structures.

DGPC has granted one year extension in the second license year w.e.f. January 1, 2012.

Kohat Block

Sheikhan Well-1 is under production since December 2010. 214.975 MMSCF (MGCL's share - 42.995 MMSCF) of Gas and 1,350 bbl (MGCL's share - 247 bbl of condensate) were produced and sold from the well during the period.

Planning is in progress to drill exploratory well Kohat -1 (Sheikhan replacement well) for which civil works is in progress.

The second exploratory well Jabbi-1 was spud-in on May 25, 2011 with the objectives to explore the hydrocarbons potential of Lockhart, Hangu and Lumshiwal formations. The well has reached its total depth (TD 4025 m). Currently, wireline logging is in progress to evaluate its hydrocarbons potential and accordingly its way forward would be decided.

Bannu West Block

Exploration activities in the block are suspended, due to security clearance.

Oman 43B.E.L

Presently Geological and Geophysical studies are in progress to decide way forward on drill or drop option.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

At MGCL, we strive for contributing to society through our active involvement in all aspects of community development. Over the years, MGCL has integrated CSR into its management and operational strategies to achieve the optimum balance - a business providing tangible benefits to the society it ultimately serves.

MGCL has made significant contribution in different sectors like health, education, provision of drinking water, infrastructure, national disaster response etc. The Company is operating healthcare centers, maternity homes, dispensaries and conducting critical vaccination campaigns in the area of its operations. A glimpse of few CSR activities is as follows:

- MGCL is committed to provide clean drinking water in its area of operations. Twenty five water storage tanks have been constructed at different locations costing Rs. 6 million. In Baluchistan, two water supply schemes were completed at Khost & Zarghun at a cost of Rs. 3.3 million.
- A welfare project of Health/Education for staff / employees and the general public of Mari Field is under construction.
- A Joint venture project of Technical Training Centre, Daharki has started functioning. MGCL has contributed Rs. 30 million for promoting technical skills of the people in the area.
- MGCL has spent significant amount on Communication Network for the welfare of local community. A 20 km metalled road is under construction in Mari field area.
- A dispensary has been established for providing free treatment at Karak block.
- MGCL has selected a middle school at Kamerser for providing quality education to local community.

- Complete renovation of school for special children was carried out at Sukkur.

MGCL is operating several joint venture exploration blocks in all the four provinces of the Country. These JV blocks remain the focus of the Company's CSR program despite many limitations. Some of our completed projects have already been handed over to the district governments as per government policy. Work on some projects in JV blocks is in progress.

For and on behalf of the Board

Lt Gen Muhammad Mustafa Khan (Retd)
Chairman

Islamabad
April 23, 2012

MARI GAS COMPANY LIMITED
CONDENSED INTERIM BALANCE SHEET (UN-AUDITED)
AS AT MARCH 31, 2012

	Note	31.03.2012	Restated 30.06.2011
(Rupees in thousand)			
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized capital			
250,000,000 ordinary shares of Rs 10 each		2,500,000	2,500,000
Issued, subscribed and paid up capital		918,750	735,000
Undistributed percentage return reserve	5	306,470	490,220
Exploration and evaluation reserve		5,239,827	4,057,194
Profit and loss account	6	5,745,440	5,388,001
		12,210,487	10,670,415
NON-CURRENT LIABILITIES			
Long term financing - secured	7	946,667	1,300,000
Provision for decommissioning cost		3,796,569	3,528,410
Deferred liabilities			
Employees benefits - unfunded		102,682	88,791
		4,845,918	4,917,201
CURRENT LIABILITIES			
Trade and other payables	8	12,980,247	9,219,174
Current maturity of long term financing - secured	7	442,222	420,000
Provision for taxation		613,694	183,849
		14,036,163	9,823,023
CONTINGENCIES AND COMMITMENTS	9		
		31,092,568	25,410,639

The annexed notes 1 to 24 form an integral part of this condensed interim financial information.



Lt Gen (R) Raza Muhammad Khan
 Managing Director/CEO

	Note	31.03.2012	Restated 30.06.2011
(Rupees in thousand)			
ASSETS			
NON-CURRENT ASSETS			
Property plant and equipment	10	4,385,052	4,787,239
Intangible			
Development and production assets	11	3,187,046	3,392,447
Exploration and evaluation assets	12	5,239,827	4,057,194
		8,426,873	7,449,641
Loans, advances, deposits and prepayments		15,865	13,356
Deferred tax asset		326,665	120,726
		13,154,455	12,370,962
CURRENT ASSETS			
Stores and spares		558,852	484,906
Trade debts	13	12,744,705	7,706,622
Loans, advances, prepayments and other receivables	14	1,579,234	1,068,162
Cash and bank balances		3,055,322	3,779,987
		17,938,113	13,039,677
		<u>31,092,568</u>	<u>25,410,639</u>


 Qaiser Javed
 Director


MARI GAS COMPANY LIMITED
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR NINE MONTHS ENDED MARCH 31, 2012

	Note	Restated		Restated	
		Three months ended		Nine months ended	
		31.03.2012	31.03.2011	31.03.2012	31.03.2011
		(Rupees in thousand)		(Rupees in thousand)	
Gross Sales to customers	15	14,788,993	7,364,518	32,344,449	23,010,037
Gas development surcharge		6,260,191	4,199,317	16,665,002	12,998,270
General sales tax		1,980,897	1,053,808	4,346,929	3,270,295
Excise duty		363,586	324,208	1,093,946	1,010,890
Gas Infrastructure development cess		3,939,112	-	3,939,112	-
Windfall / petroleum levy		124,935	51,323	174,160	176,097
Provisional adjustment as per the Mari Gas Well Head Price Agreement		336,576	(261,643)	338,539	342,623
		<u>13,005,297</u>	<u>5,367,013</u>	<u>26,557,688</u>	<u>17,798,175</u>
Sales - net		1,783,696	1,997,505	5,786,761	5,211,862
Royalty		234,075	226,900	729,959	599,916
		<u>1,549,621</u>	<u>1,770,605</u>	<u>5,056,802</u>	<u>4,611,946</u>
Operating expenses	16	921,685	695,793	2,462,453	2,111,699
Exploration and prospecting expenditure		74,477	165,499	268,618	333,305
		<u>996,162</u>	<u>861,292</u>	<u>2,731,071</u>	<u>2,445,004</u>
Operating profit		553,459	909,313	2,325,731	2,166,942
Finance costs	17	46,864	59,418	432,414	335,679
Workers' fund		48,141	63,008	170,815	170,076
		<u>95,005</u>	<u>122,426</u>	<u>603,229</u>	<u>505,755</u>
Other income	18	458,454	786,887	1,722,502	1,661,187
Profit before taxation		<u>125,391</u>	<u>144,579</u>	<u>597,698</u>	<u>478,269</u>
Taxation	19	583,845	931,466	2,320,200	2,139,456
Profit after taxation		<u>222,503</u>	<u>113,097</u>	<u>562,568</u>	<u>791,812</u>
		<u>361,342</u>	<u>818,369</u>	<u>1,757,632</u>	<u>1,347,644</u>
Earnings per share - basic and dilutive					
Earnings per share on the basis of distributable profit (Rupees)	20	<u>1.23</u>	<u>1.00</u>	<u>3.66</u>	<u>3.07</u>
Earnings per share on the basis of Profit and Loss account (Rupees)	20	<u>3.93</u>	<u>8.91</u>	<u>19.13</u>	<u>14.67</u>

The annexed notes 1 to 24 form an integral part of this condensed interim financial information.



Lt Gen (R) Raza Muhammad Khan
 Managing Director/CEO



Kaiser Javed
 Director

MARI GAS COMPANY LIMITED
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR NINE MONTHS ENDED MARCH 31, 2012

	Restated		Restated	
	Three months ended		Nine months ended	
	<u>31.03.2012</u>	<u>31.03.2011</u>	<u>31.03.2012</u>	<u>31.03.2011</u>
	(Rupees in thousand)		(Rupees in thousand)	
Profit after taxation	361,342	818,369	1,757,632	1,347,644
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	<u>361,342</u>	<u>818,369</u>	<u>1,757,632</u>	<u>1,347,644</u>

The annexed notes 1 to 24 form an integral part of this condensed interim financial information.



Lt Gen (R) Raza Muhammad Khan
 Managing Director/CEO



Qaiser Javed
 Director

MARI GAS COMPANY LIMITED
CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR NINE MONTHS ENDED MARCH 31, 2012

	Restated	
	Nine months ended	
	31.03.2012	31.03.2011
(Rupees in thousand)		
Cash flows from operating activities		
Profit before taxation	2,320,200	2,139,456
Adjustments for :		
Depreciation and amortization	566,430	596,392
Employees benefits - unfunded	18,293	11,769
Income on bank deposits	(332,190)	(341,661)
Finance costs	432,414	335,679
	<u>3,005,147</u>	<u>2,741,635</u>
Working capital changes		
(Increase) / decrease in current assets		
Stores and spares	(73,946)	(130,978)
Trade debts	(5,038,083)	(1,033,181)
Loans, advances, prepayments and other receivables	(506,162)	(12,515)
Increase / (decrease) in current liabilities		
Trade and other payables	3,860,935	(18,611)
Cash generated from operations	<u>1,247,891</u>	<u>1,546,350</u>
(Increase) in long term loans, advances, deposits and prepayments	(2,509)	(28,990)
Increase in deferred income	-	26,468
Employees benefits paid - unfunded	(4,401)	(2,513)
Taxes paid	(338,662)	(375,544)
	<u>(345,572)</u>	<u>(380,579)</u>
Net cash from operating activities	902,319	1,165,771
Cash flows from investing activities		
Capital expenditure	(1,141,476)	(1,248,688)
Interest received	327,280	379,233
Net cash used in investing activities	(814,196)	(869,455)
Cash flows from financing activities		
Long term financing received	100,000	-
Long term financing repaid	(431,111)	(380,000)
Finance cost paid	(232,241)	(267,171)
Dividends paid	(249,436)	(150,513)
Net cash used in financing activities	(812,788)	(797,684)
Decrease in cash and cash equivalents	(724,665)	(501,368)
Cash and bank balances at beginning of the period	3,779,987	3,607,305
Cash and bank balances at end of the period	<u>3,055,322</u>	<u>3,105,937</u>

The annexed notes 1 to 24 form an integral part of this condensed interim financial information.



Lt Gen (R) Raza Muhammad Khan
 Managing Director/CEO



Kaiser Javed
 Director

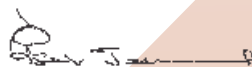
MARI GAS COMPANY LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR NINE MONTHS ENDED MARCH 31, 2012

	Share capital	Undistributed percentage return reserve	Reserve for issuance of bonus shares	Exploration and evaluation reserve	Profit and loss account	Total
	(Rupees in thousand)					
Balance as at June 30, 2010	735,000	364,205	-	2,800,268	5,291,353	9,190,826
Total comprehensive income for the period	-	-	-	-	1,347,644	1,347,644
Dividends	-	-	-	-	(172,211)	(172,211)
Exploration and evaluation reserve	-	-	-	967,386	(967,386)	-
Balance as at March 31, 2011	735,000	364,205	-	3,767,654	5,499,400	10,366,259
Total comprehensive income for the period	-	-	-	-	377,656	377,656
Dividends	-	-	-	-	(73,500)	(73,500)
Undistributed percentage return reserve	-	126,015	-	-	(126,015)	-
Exploration and evaluation reserve	-	-	-	289,540	(289,540)	-
Balance as at June 30, 2011	735,000	490,220	-	4,057,194	5,388,001	10,670,415
Total comprehensive income for the period	-	-	-	-	1,757,632	1,757,632
Dividends	-	-	-	-	(217,560)	(217,560)
Reserve for issuance of bonus shares	-	(183,750)	183,750	-	-	-
Bonus shares issued	183,750	-	(183,750)	-	-	-
Exploration and evaluation reserve	-	-	-	1,182,633	(1,182,633)	-
Balance as at March 31, 2012	918,750	306,470	-	5,239,827	5,745,440	12,210,487

The annexed notes 1 to 24 form an integral part of this condensed interim financial information.



Lt Gen (R) Raza Muhammad Khan
 Managing Director/CEO



Kaiser Javed
 Director

MARI GAS COMPANY LIMITED
SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM
FINANCIAL INFORMATION (UN-AUDITED)
FOR NINE MONTHS ENDED MARCH 31, 2012

1. LEGAL STATUS AND OPERATIONS

Mari Gas Company Limited ("the Company") is a public limited company incorporated in Pakistan on December 04, 1984 under the Companies Ordinance, 1984. The shares of the Company are listed on the Karachi, Lahore and Islamabad stock exchanges in Pakistan. The Company is principally engaged in drilling, exploration, production and sale of hydrocarbons. The gas price mechanism is governed by Mari Gas Well Head Price Agreement ("the Agreement") dated December 22, 1985 between the President of Islamic Republic of Pakistan and the Company. The registered office of the Company is situated at 21 Mauve Area, 3rd Road, G-10/4, Islamabad.

2. STATEMENT OF COMPLIANCE

This condensed interim financial information of the Company for the nine months period ended March 31, 2012 has been prepared in accordance with the requirements of the International Accounting Standard 34 - Interim Financial Reporting and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed.

3. ACCOUNTING POLICIES

The accounting policies and the methods of computation adopted in the preparation of this condensed interim financial information are the same as those applied in the preparation of the financial statements for the year ended June 30, 2011.

4. GASPRICE MECHANISM

In terms of the Agreement, well head gas price for each ensuing year is determined in accordance with the principles of gas price formula set out in Article II of the Agreement. The Agreement states that the gas price will be at the minimum level to ensure that total revenues generated from sale of gas and other income are sufficient to provide a minimum return of 30%, net of all taxes, on Shareholders' Funds (as defined in the Agreement) after meeting specified ratios and deductibles. The return to shareholders is to be escalated in the event of increase in the Company's production beyond the level of 425 MMSCFD at the rate of 1%, net of all taxes, on Shareholders' Funds for each additional 20 MMSCFD of gas or equivalent oil produced, prorated for part thereof on annual basis, subject to a maximum of 45%.

Effective July 01, 2001, the Government of Pakistan (GoP) has authorized the Company to incur expenditure not exceeding Rupee equivalent of US\$ 20,000,000 per annum or 30% of the Company's annual gross sales revenue as disclosed in the last audited financial statements, whichever is less, in connection with exploration and development in any concession area other than Mari Field, provided that if such exploration and development results in additional gas or equivalent oil production, the revenues generated from such additional gas or equivalent oil production shall be credited to and treated as revenue under the Agreement.

5. UNDISTRIBUTED PERCENTAGE RETURN RESERVE

The amount held in this reserve represents the balance of the percentage return reserve on Shareholders' Funds as defined in the Agreement.

	Note	31.03.2012	30.06.2011
		(Rupees in thousand)	
Undistributed percentage return reserve		490,220	364,205
Transferred from profit and loss account		-	126,015
		490,220	490,220
Less: Bonus shares issued	5.1	(183,750)	-
		<u>306,470</u>	<u>490,220</u>

5.1 The Board of Directors in its meeting held on September 26, 2011 proposed issuance of 25% bonus shares. The bonus shares were subsequently issued after approval of the shareholders in Annual General Meeting held on October 26, 2011.

6. PROFIT AND LOSS ACCOUNT

The amount of Rs 5,745.440 million (June 2011: Rs 5,388.001 million) represents the following:

6.1 Undistributable balance

The amount of Rs 5,593.236 million (June 2011: Rs 5,354.192 million), which is not distributable, has been provided through the operation of Article II of the Agreement to meet the obligations and to the extent indicated for the following:

	Generated upto June 30, 2011	Generated during Nine months ended March 31, 2012	Generated upto March 31, 2012
	(Rupees in thousand)		
a) Rupee element of capital expenditure (net of depreciation /amortization) and repayment of borrowings	5,089,421	239,044	5,328,465
b) Maintenance of debt service ratio	90,234	-	90,234
c) Maintenance of current ratio	174,537	-	174,537
Total	<u>5,354,192</u>	<u>239,044</u>	<u>5,593,236</u>
Year ended June 30, 2011	<u>5,266,143</u>	<u>88,049</u>	<u>5,354,192</u>

	31.03.2012	30.06.2011
	(Rupees in thousand)	
6.2 Distributable balance		
Opening balance	33,809	25,210
Add: Return on shareholders' funds for the period	335,955	380,325
	<u>369,764</u>	<u>405,535</u>
Less: Dividend paid during the period	(217,560)	(245,711)
Transferred to undistributed percentage return reserve	-	(126,015)
	<u>(217,560)</u>	<u>(371,726)</u>
	<u>152,204</u>	<u>33,809</u>

This represents balance return @ 36.56% on Shareholders' Funds for nine months ended March 31, 2012. The additional return of Rs 33.809 million guaranteed to shareholders on account of increased oil and gas production for the year ended June 30, 2011 has been paid in the current period.

	Note	31.03.2012	30.06.2011
		(Rupees in thousand)	
7. LONG TERM FINANCING - SECURED			
Loan for Mari field development	7.1		
Opening balance		1,520,000	1,900,000
Amount repaid during the period / year		(380,000)	(380,000)
		<u>1,140,000</u>	<u>1,520,000</u>
Amount payable within next twelve months shown as current maturity		(380,000)	(380,000)
		<u>760,000</u>	<u>1,140,000</u>
Loan for Zarghun field development	7.2		
Opening balance		200,000	200,000
Amount received during the period / year		100,000	-
Amount repaid during the period / year		(51,111)	-
		<u>248,889</u>	<u>200,000</u>
Amount payable within next twelve months shown as current maturity		(62,222)	(40,000)
		<u>186,667</u>	<u>160,000</u>
		<u>946,667</u>	<u>1,300,000</u>

- 7.1 The Company has arranged a Syndicated Term Finance Loan amounting to Rs 1,900 million from a consortium of banks led by Bank Alfalah Limited for financing of drilling of three wells in Mari Deep, Goru B reservoirs. The mark-up is payable semi-annually in arrears on the outstanding facility amount at six months KIBOR + 1.50% per annum. The mark-up rate was revised downward to six months KIBOR + 1.35% effective from September 15, 2010. The effective mark-up rate for the period ended March 31, 2012 was 14.92% (June 30, 2011 14.39%). The loan is repayable in ten equal semi-annual installments after a grace period of 24 months from date of first disbursement. So far, four installments amounting to Rs 760 million have been paid. Loan is secured by a first pari passu charge by way of hypothecation over all present and future fixed and current assets and businesses, and first pari passu equitable mortgage over Company's all existing or future immovable property.
- 7.2 In order to finance Zarghun Gas Field, the Company has arranged another Term Finance Loan of Rs 1,112 million from Habib Bank Limited. Out of loan amount, a sum of Rs 300 million has been disbursed till date. The mark-up is payable semi-annually in arrears on the outstanding facility amount at the average of the six months KIBOR + 1.35% per annum. The effective mark-up rate for the period ended March 31, 2012 was 14.44% (June 30, 2011 14.45%). The loan is repayable in ten equal semi-annual installments after a grace period of 24 months from date of first disbursement. So far, two installments amounting to Rs 51 million have been paid. Loan is secured by a first pari passu charge over present and future assets of the Company by way of hypothecation, equitable mortgage and floating charge of an amount of Rs 2.12 billion.

	<u>31.03.2012</u>	<u>30.06.2011</u>
	(Rupees in thousand)	
8. TRADE AND OTHER PAYABLES		
Gas development surcharge	9,643,441	6,803,817
General sales tax	665,506	394,542
Excise duty	123,934	118,477
Gas infrastructure development cess	665,634	-
Mark-up on long term financing - secured	10,231	78,217
Workers' welfare fund	457,408	411,143
Workers' profits participation fund	190,240	198,006
Employee benefits - funded	103,124	211,967
Retention and earnest money deposits	17,538	14,869
Payable to Joint venture partners	263,478	209,109
Other accrued liabilities	622,124	602,863
Unclaimed dividend	6,668	5,773
Unpaid dividend	41,798	74,569
Royalty Payable	169,123	95,822
	<u><u>12,980,247</u></u>	<u><u>9,219,174</u></u>

9. CONTINGENCIES AND COMMITMENTS

9.1 Contingencies

- (i) Due to circular debt in the oil and gas industry and instructions of the Government of Pakistan (GoP), the Company has not recognized interest income of Rs 3,734.347 million (June 30, 2011: Rs 2,908.283 million) on amounts due from Pakistan Electric Power Company (PEPCO) and has also not made any provision in this condensed interim financial information for interest expense of Rs 1,782.327 million (June 30, 2011: Rs 1,344.872 million) payable to the Government of Pakistan (GoP) on account of late payment of Gas Development Surcharge. However, such non - recognition does not affect the current period or future years' profit after taxation which includes the guaranteed return to shareholders under the Agreement.
- (ii) Indemnity bonds given to Collector of Customs against duty concessions on import of equipment and materials amounted to Rs 14.192 million (June 30, 2011: Rs 14.192 million).

	31.03.2012	30.06.2011
	(Rupees in thousand)	
9.2 Commitments		
(i) Capital expenditure		
- Share in joint ventures	2,373,668	434,626
- Others	545,855	328,382
	<u>2,919,523</u>	<u>763,008</u>
(ii) Operating lease rentals due:		
- Less than one year	28,828	13,514
- More than one year but less than five years	67,219	22,413
	<u>96,047</u>	<u>35,927</u>

10. PROPERTY, PLANT AND EQUIPMENT

Opening book value	4,787,239	4,540,056
Additions during the period	220,157	455,893
Transferred (to) / from exploration and evaluation assets	(285,401)	285,401
Written down value of disposals	-	(1,939)
Depreciation for the period	(336,943)	(492,172)
	<u>4,385,052</u>	<u>4,787,239</u>

	Note	31.03.2012	30.06.2011
(Rupees in thousand)			
11.			
DEVELOPMENT AND PRODUCTION ASSETS			
Opening book value		3,392,447	3,075,836
Additions during the period / year		24,086	640,438
Amortization for the period / year		(229,487)	(323,827)
Closing book value		<u>3,187,046</u>	<u>3,392,447</u>
12.			
EXPLORATION AND EVALUATION ASSETS			
Opening balance		4,057,194	2,800,268
Additions during the period / year	12.1	897,232	1,542,327
Transfer from / (to) property, plant and equipment		285,401	(285,401)
		1,182,633	1,256,926
Closing balance		<u>5,239,827</u>	<u>4,057,194</u>
12.1			
Additions during the period / year			
Karak block		493,459	649,063
Ziarat block		595	222,004
Sujawal block		9,147	22,630
Sukkur block		18,711	17,816
Hala block		191,308	599,368
Kohat Block		183,466	31,446
Oman block		546	-
		<u>897,232</u>	<u>1,542,327</u>

	<u>31.03.2012</u>	<u>30.06.2011</u>
13. TRADE DEBTS		
Associated undertakings - considered good		
Pakistan Electric Power Company	6,753,190	4,379,263
Foundation Power Company Daharki Limited	3,314,684	1,504,323
Fauji Fertilizer Company Limited	952,419	503,172
Sui Southern Gas Company Limited	38,903	79,872
Sui Northern Gas Pipelines Limited	84,119	5,691
Foundation Gas	28,313	77,105
	11,171,628	6,549,426
Others - considered good		
Engro Fertilizer Limited	486,366	206,328
Fatima Fertilizer Company Limited	203,423	149,746
Byco Petroleum Pakistan Limited	614,192	634,192
National Refinery Limited	100,964	166,457
Attock Refinery Limited	168,132	473
	12,744,705	7,706,622

13.1 Trade debts include overdue amounts of Rs 9,010.524 million (June 30, 2011: Rs 5,475.170 million). Based on the measures undertaken by the Government of Pakistan (GoP) to resolve the Inter-Corporate Circular Debt issue, the Company considers the above amounts to be fully recoverable and therefore, no provision for doubtful debts has been made in this condensed interim financial information.

	<u>31.03.2012</u>	<u>30.06.2011</u>
14. LOANS, ADVANCES, PREPAYMENTS AND OTHER RECEIVABLE		
Loans and advances	255,694	242,909
Short term prepayments	118,101	48,474
Interest accrued	11,491	6,581
Other receivable (note 14.1)	31,008	73,508
Receivable under Mari Gas Well Head Price Agreement	1,162,940	696,690
	1,579,234	1,068,162

14.1 Other receivable includes Rs 24.111 million (June 30, 2011: nil) receivable from Foundation Power Company Daharki Limited (an associated undertaking).

Note	Three months ended		Nine months ended		
	31.03.2012	31.03.2011	31.03.2012	31.03.2011	
(Rupees in thousand)					
15. GROSS SALES TO CUSTOMERS					
Sale of:					
Gas	15.1	14,348,017	7,109,417	31,479,892	22,101,616
Crude Oil	15.2	271,973	-	292,786	-
Less: Transportation charges		600	-	1,435	-
		271,373	-	291,351	-
Condensate	15.3	120,719	180,551	406,156	665,131
Less: Transportation charges		1,840	1,911	6,575	9,824
		118,879	178,640	399,581	655,307
LPG	15.4	47,643	74,213	162,514	246,199
Own Consumption of gas		3,081	2,248	11,111	6,915
		<u>14,788,993</u>	<u>7,364,518</u>	<u>32,344,449</u>	<u>23,010,037</u>
15.1 This represents sale of gas as per detail below:					
Mari Field		14,269,192	7,012,632	31,239,084	21,742,876
Sukkur block		38,702	-	85,596	3,079
Hala block		36,140	77,323	142,730	314,702
Kohat block		3,983	19,462	12,482	40,959
		<u>14,348,017</u>	<u>7,109,417</u>	<u>31,479,892</u>	<u>22,101,616</u>
15.2 This represent sale of Crude oil as per detail below:					
Ziarat block		-	-	3,018	-
Karak block		271,973	-	289,768	-
		<u>271,973</u>	<u>-</u>	<u>292,786</u>	<u>-</u>
15.3 This represent sale of Condensate as per detail below:					
Mari Field		58,666	8,498	190,253	21,708
Hala block		60,953	163,668	213,471	635,038
Kohat block		1,100	8,385	2,432	8,385
		<u>120,719</u>	<u>180,551</u>	<u>406,156</u>	<u>665,131</u>
15.4 This represent sale of LPG from Hala block.					

	Three months ended		Nine months ended	
	31.03.2012	31.03.2011	31.03.2012	31.03.2011
(Rupees in thousand)				
16. OPERATING EXPENSES				
Salaries, wages and benefits	358,146	296,400	895,918	681,940
Employees benefits	38,499	23,776	114,620	90,535
Rent, rates and taxes	1,053	1,604	8,622	3,807
Legal and professional services	288	1,316	1,764	2,854
Fuel, light, power and water	21,566	19,041	66,765	45,051
Maintenance and repairs	46,656	73,711	103,940	108,185
Insurance	11,717	10,516	31,673	30,939
Depreciation	106,106	100,843	336,943	361,608
Amortization	76,514	63,059	229,487	234,784
Employees medical and welfare	28,698	19,373	88,096	72,829
Field and other services	70,168	69,786	246,523	213,383
Travelling	432	4,134	9,635	8,565
Communications	2,487	3,108	8,966	7,599
Printing and stationery	2,156	2,528	6,689	6,535
Office supplies	1,723	902	5,617	3,370
Technical software	5,297	6,678	18,001	20,614
Auditor's remuneration	1,512	-	1,803	286
Mobile dispensary and social welfare	17,586	15,749	56,849	64,689
Training	13,149	13,305	21,922	44,257
Advertisement	951	151	2,383	265
Books and periodicals	364	85	581	247
Public relations and social activities	366	1,136	3,340	3,097
Directors' fee and expenses	1,186	1,162	2,239	1,890
Freight and transportation	2,293	272	2,529	551
Subscription	213	21	1,980	1,202
Rig - Operating expenses	56,813	46,241	204,073	110,859
Research and development	9,375	-	9,375	-
Sukkur block - Operating expenses	7,033	-	24,812	2,485
Hala block - Operating expenses	74,315	51,327	120,721	221,297
Kohat block - Operating expenses	1,535	4,188	21,780	6,765
Karak block - Operating expenses	25,183	-	33,872	-
Miscellaneous	1,108	197	2,000	670
	<u>984,488</u>	<u>830,609</u>	<u>2,683,518</u>	<u>2,351,158</u>
Less: Recoveries from joint ventures	<u>62,803</u>	<u>134,816</u>	<u>221,065</u>	<u>239,459</u>
	<u>921,685</u>	<u>695,793</u>	<u>2,462,453</u>	<u>2,111,699</u>

	Three months ended		Nine months ended	
	31.03.2012	31.03.2011	31.03.2012	31.03.2011
	(Rupees in thousand)			
17. FINANCE COST				
Mark up on long term financing - secured	46,835	59,384	152,988	186,844
Unwinding of decommissioning cost	-	-	268,159	142,762
Interest on WPPF	-	-	11,100	5,921
Bank charges	29	34	167	152
	<u>46,864</u>	<u>59,418</u>	<u>432,414</u>	<u>335,679</u>
18. OTHER INCOME				
Income on bank deposits	112,330	114,458	332,190	341,661
Interest Income on delayed payments	-	17,974	-	114,508
Rig rental income	-	-	217,696	-
Line heater rental income	8,163	7,219	28,578	21,669
Miscellaneous	4,898	4,928	19,234	431
	<u>125,391</u>	<u>144,579</u>	<u>597,698</u>	<u>478,269</u>
19. TAXATION				
Current tax	288,227	212,015	768,507	1,037,728
Deferred tax	(65,724)	(98,918)	(205,939)	(245,916)
	<u>222,503</u>	<u>113,097</u>	<u>562,568</u>	<u>791,812</u>
20. EARNING PER SHARE				
Distributable profit	112,781	92,031	335,955	281,864
Profit after taxation	360,154	818,369	1,757,632	1,347,644
Number of fully paid weighted average ordinary shares (000)	<u>91,875</u>	<u>91,875</u>	<u>91,875</u>	<u>91,875</u>
Earning per share based on:				
Distributable profit	1.23	1.00	3.66	3.07
Profit after taxation	3.92	8.91	19.13	14.67

Earning per share previously reported in the financial statements for the nine months ended March 31, 2011 has been restated for 18,375,000 bonus shares issued during the nine months ended March 31, 2012

21. TRANSACTIONS WITH RELATED PARTIES

	Nine months	
	<u>31.03.2012</u>	<u>31.03.2011</u>
	(Rupees in thousand)	
Gross sale of gas to related parties is as follows:		
Pakistan Electric Power Company (PEPCO)	6,261,481	5,542,838
Foundation Power Company Daharki Limited	3,938,682	468,733
Fauji Fertilizer Company Limited	12,898,508	9,360,618
Sui Southern Gas Company Limited	153,329	325,123
Sui Northern Gas Pipelines Limited	132,244	44,038
Foundation Gas	162,514	246,199
Other income on rental of heaters to Foundation Power Company Daharki Limited	28,578	21,669
Remuneration of chief executives and key management personnel	666,213	508,266
Contribution to employees benefit funds	116,395	65,978

22. RESTATEMENT OF PRIOR PERIOD FINANCIAL INFORMATION

Deferred tax asset was overstated in the prior period financial statements, which has been adjusted in the current period financial statements. The comparative figures have been restated. The effect of the restatement is summarized below. The restatement does not affect the current year or prior periods' profit (including the guaranteed return to the shareholders under the agreement) and equity.

Cumulative effect upto June 30, 2011

<u>Profit and loss account</u>	(Rupees in thousand)
Increase in deferred tax expense	(1,571,672)
Decrease in provisional adjustment expense as per the Mari Gas Well Head Price Agreement	1,501,479
Increase in royalty expense	(187,684)
Increase in workers' fund expense	(56,683)
Decrease in current tax expense	314,560
Net effect	-

Balance sheet

Decrease in deferred tax asset	(1,571,672)
Increase in loans, advances, prepayments and other receivables	604,826
Decrease in trade and other payables	652,286
Decrease in provision for taxation	314,560
	<hr/>
Net effect	<u><u>-</u></u>
Effect on nine months ended March 31, 2011	

Profit and loss account

Increase in deferred tax expense	(423,355)
Decrease in provisional adjustment expense as per the Mari Gas Well Head Price Agreement	404,447
Increase in royalty expense	(50,556)
Increase in workers' fund expense	(15,268)
Decrease in current tax expense	84,732
	<hr/>
Net effect	<u><u>-</u></u>

23. CORRESPONDING FIGURES

Comparative figures have been restated as a result of restatement of prior period financial information as referred in note 22. The balance sheet of the current period and restated balance sheets at the end of the previous year and at the beginning of the previous year are as follows:

	<u>31.03.2012</u>	<u>30.06.2011</u> (Restated)	<u>01.07.2010</u> (Restated)
	(Rupees in thousand)		
Assets			
Non-current assets			
Property, plant and equipment	4,385,052	4,787,239	4,540,056
Intangible			
Development and production assets	3,187,046	3,392,447	3,075,836
Exploration and evaluation assets	5,239,827	4,057,194	2,800,268
	8,426,873	7,449,641	5,876,104
Loans, advances, deposits and prepayments	15,865	13,356	13,728
Deferred tax asset	326,665	120,726	-
	<u>13,154,455</u>	<u>12,370,962</u>	<u>10,429,888</u>
Current assets			
Stores and spares	558,852	484,906	290,262
Trade debts	12,744,705	7,706,622	6,099,654
Loans, advances, prepayments and other receivables	1,579,234	1,068,162	1,252,991
Cash and bank balances	3,055,322	3,779,987	3,607,305
	<u>17,938,113</u>	<u>13,039,677</u>	<u>11,250,212</u>
Assets	<u><u>31,092,568</u></u>	<u><u>25,410,639</u></u>	<u><u>21,680,100</u></u>

	31.03.2012	30.06.2011 (Restated)	01.07.2010 (Restated)
	(Rupees in thousand)		
Equity			
Issued, subscribed and paid up capital	918,750	735,000	735,000
Undistributed percentage return reserve	306,470	490,220	364,205
Exploration and evaluation reserve	5,239,827	4,057,194	2,800,268
Profit and loss account	5,745,440	5,388,001	5,291,353
	<u>12,210,487</u>	<u>10,670,415</u>	<u>9,190,826</u>
Non-current liabilities			
Long term financing - secured	946,667	1,300,000	1,720,000
Provision for decommissioning cost	3,796,569	3,528,410	2,460,885
Deferred liabilities			
Deferred tax liability	-	-	165,321
Employees benefits - unfunded	102,682	88,791	76,196
	4,845,918	4,917,201	4,422,402
Current liabilities			
Trade and other payables	12,980,247	9,219,174	7,638,028
Current maturity of long term financing	442,222	420,000	380,000
Provision for taxation	613,694	183,849	48,844
	14,036,163	9,823,023	8,066,872
Equity and liabilities	<u>31,092,568</u>	<u>25,410,639</u>	<u>21,680,100</u>

24. DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial information was authorized for issue by the Board of Directors of the Company on April 23, 2012.



Lt Gen (R) Raza Muhammad Khan
Managing Director/CEO



Qaiser Javed
Director



Head Office

21-Mauve Area, 3rd Road,
Sector G-10/4, P.O. Box 1614,
Islamabad, 44000
UAN: 92-51-111-410-410
TEL: 92-51-2297683-85
FAX: 92-51-2297686

Daharki Field Office

Daharki, District Ghotki,
UAN: 92-723-111-410-410
FAX: 92-723-641038

Karachi Liaison Office

D-87, Block 4,
Kehkashan Clifton
P.O. Box 3887,
Karachi - 75600
UAN: 92-21-111-410-410
FAX: 92-21-5870273

Quetta Liaison Office

26, Survery-31,
Defence Officers Housing Scheme
Airport Road, Quetta,
TEL: 92-81-2621052, 2838790
FAX: 92-81-2834465