Transcription for DANA GAS Q3 Results conference call
November 9th 2016

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Presentation

Operator
Good afternoon everyone, this is Ziyad Itani and on behalf of Arqaam Capital, I am pleased to welcome you to the Dana Gas Q3 2016 conference call. Our call today features a presentation, which contains forward-looking statements. As such, we encourage you to have a look at the disclaimer on page two. I will now pass on the line to Mohammed Mubaideen at Dana Gas, who will introduce the team and outline the presentation. Thank you.

Mohammed Mubaideen
As a brief outline, today's presentation is split into four parts. Firstly, the CEO, Dr Patrick Allman-Ward, will present an overview of the company's performance, followed by the CEO, Chris Hearne, who will talk through the financials, and the Technical Director, Iman Hill, who will describe the on-going operations across our portfolio of assets. We will then revert to Dr

Patrick, who will provide the closing remarks. Without any further delay, I now hand over the call to Patrick.

Dr Patrick Allman-Ward
Good afternoon to everyone thank you to Mohammed and Ziyad for getting the call started. Before I begin, I'd like to formally introduce Mohammed to those of you who have not yet had the pleasure of speaking with him. Mohammed joined us in September as our new Head of Investor Relations and Communications. Any questions, issues, or information you need going forward, please feel free to direct them to him. That aside, I welcome you all to our third quarter earnings call and without further ado, I would ask you to turn to page four.

Firstly, from a financial perspective, we posted positive results under challenging market conditions. As a result of various direct actions we took, such as adding production and carrying out further cost savings, and indirect events such as benefiting from accrued interest due on overdue receivables from the KRG, our revenues and profits have been improving sequentially on a quarterly basis since the turn of the year. On a nine month year-to-year comparison, however, revenue is down at $280 million from $324 million, although net profit is higher at $26 million, up from $10 million. The decrease in revenue is a result of the continuing low oil price environment. For example, our average realised liquid price for the third quarter this year was $32/boe as compared to $41/boe in the third quarter of 2015.

Secondly, regarding our liquidity, we have been prudent with our use of capital, which has been necessary of the face of uncertain collections, particularly in Egypt. Our collections there for the nine months to date are similar to the levels of collection at the equivalent period of 2015. Nevertheless, this is disappointing against our expectations for the year. We recognise that historically the Egyptian Government tends to make out payments towards the end of the year, so we remain hopeful that we will be able to collect on our full entitlement for 2016 within the next six weeks. Nevertheless, we remain mindful of our long-term cash requirements and we will have to review our operational and capital expenditure in Egypt for 2017 if the collection situation does not improve.

Thirdly, on the operational front, the pedal has been pushed firmly to the floor in terms of production. We have seen 69,400 boepd, which is approaching our ambitious year-end target of 70,000 boepd, which we set ourselves this time last year. Egypt is successfully delivering on the gas production enhancement agreement investment programme and is actually ahead of schedule, having increased production by nearly 25% year-on-year. Iman and the team in Egypt have done a great job and she will talk through the details of their achievements later on. On the other hand, the UAE's Zora gas field has seen production come off. The primary challenge appears to be related to reservoir deliverability. The well workover we were planning to carry out this month has now been deferred, as we undertake further analysis to optimise the well intervention programme to ensure that we do everything possible to have a material impact on the reservoir flow rates.

Lastly, with regard to our arbitrations, we continue to make good progress. With regards to the KRG arbitration, the last hearing was in London in early September and we expect the next partial final award to be forthcoming before the end of the year. Furthermore, last month the KRG withdrew their claims to challenge the second partial final award. This is a positive step, as we are now able to enforce action against the monetary award of $1.963 billion.

I will now hand over to Chris for a more thorough financial overview.

Christopher Hearne
Thank you, Patrick, and good afternoon everyone. Can I ask you all to turn to slide five of the presentation? I am pleased to report that during the third quarter 2016, Dana Gas has increased its revenues by 10% to $102 million and reported an increased net profit of $13 million. During the quarter 2016, the increase in revenues was due to strong increases in production volumes, primarily in Egypt, and also by new production coming from the Zora field in the UAE. However, our overall nine-month revenue figure of $280 million has come in below the $324 million in a corresponding period in 2015. This decline is due to lower realised prices, which had more of a negative impact than the production increase. The gross profit chart on the bottom left hand side of the slide highlights the impact of lower oil prices. The negative effect was more severely felt over the nine-month period where gross profit declined to $63 million from $97 million in the corresponding period of 2015. Looking at our net profit, we posted quarterly and nine-month figures of $13 million and $26 million respectively. The increase in bottom line comes from an optimisation of G&A and operating costs together with accrued interest on overdue receivables and an increase in our entitlement in Kurdistan.

Moving ahead to slide six, the production graphs are presented in three different formats. The main point to highlight centres on group production, which rose to 69,400 boepd in the third quarter. This is up from 60,800 in the third quarter 2015 and from 66,650 boepd in the second quarter 2016. Egypt climbed to 40,000 boepd in the third quarter, as incremental production from the Balsam development came on stream. Kurdistan was slightly lower on a year-on-year basis, as our interest in Pearly Petroleum was reduced to 35%. Production averaged 26,100 boepd in the third quarter 2016 and was exactly the same as the previous quarter. The UAE also added some production; 2,560 this quarter as compared to 3,250 boepd last quarter. More on why the UAE production has dropped will be explained by Iman in a moment. There was previous little movement in the average realised liquid price, $30 in the first quarter as compared with $32 per boe in the third quarter 2016. The price, however, is significantly lower on a year on basis, as the third quarter 2016 had the liquid price at $41 per boe.

Now, onto slide seven where we look at our operational and capital expenditure. In summary, we have reduced both these line items in the nine months to date by 37% for G&A and by 9% for operational expenditure. The total amount is $10 million. As our GPEA 2016 investment commitment in Egypt is now largely fulfilled, and our Zora development is completed and brought on stream, we expect future drops in capital expenditure for the fourth quarter.

Moving onto slide eight, we summarise the liquidity and liability position of the company. As you will see, the first chart highlights the decline in our gross debt from $884 million at year end 2015 to $811 million at the end of the third quarter. However, our net debt has increased and cash and cash equivalents have declined to $322 million at the period end. During the last nine months, we have seen negative free cash flow of $26 million, which is primarily due to capital expenditure on the Zora field development. The decline in the cash position affects the buyback of $40 million of Sukuk profit payments, which are now running at $14 million a quarter, and CapEx on Zora and in Egypt. The cash decline together with the unreliability of our cash collections in Egypt has meant a renewed determination to preserve cash and manage costs.

Slide nine highlights our receivables position. At the end of the period, our total trade receivables were $968 million. In Egypt, trade receivables stood at $242 million, and at $722 million in Kurdistan. Egypt has had a disappointing level of collections in the nine months of the year, receiving $69 million and giving us a realisation of only 77%. Whilst Egypt has historically tended to make industry payments towards the end of the year, we will be monitoring the situation closely and we will review our operational and capital expenditure in Egypt if the situation is not resolved. On the other hand, Kurdistan has outperformed our expectations. Local sales remain strong and our collection was $64 million during the nine months, giving us a realisation of 121%.

With that, I will hand over to Iman Hill, our Technical Director and General Manager of the UAE and Egypt, who will give an operational update.

Iman Hill
Thank you, Chris. The operational picture is certainly exciting, full of potential despite the review we're undertaking on Zora. Let me start with Egypt on page 10.

Production broke the 40,000 boepd milestone. We increased production by approximately 25% this year and have now reached maximum capacity at our El-Wastani gas processing plant. We are implementing a short-term solution to further debottleneck our plant in order to be able to produce the gas from all the wells that we have drilled to date. We are also reviewing a full on-site facility extension that will add another 25% to our current production and will eventually take us to 50,000 boepd. Our GPEA programme has seen us drill 19 wells and carry out 13 workovers successfully. Every exploration well has found hydrocarbons. Our latest two wells, Balsam-6 and Boronia-1, have both proven additional gas. Balsam-6 is being tested, with the results due mid-December. The Boronia well on the other hand has already been tied back to the South El Manzala gas plant.

Onto page 11, where the BP-operated Mocha-1 well is due to reach target depth early in the first quarter next year. It has, as part of its secondary objectives, found commercial amounts of wet gas in the Messinian M90 formation, a shallower reservoir than the primary target, Oligocene reservoir. A joint decision has been taken to run a concurrent work programme to drill an updip producer well to bring the wet gas on stream by the end of the first quarter 2017.

Our primary objective here remains the multi-trillion cubic feet of gas at a target depth of over 6,000 metres in the Oligocene formation. If successful, it will be transformational for the company and propel us to become one of the top gas producers in Egypt.

Before moving onto Kurdistan, I do want to add that our offshore Block 6 carries on attracting interested parties. A seventh party has now joined the data-room and we hope to announce a farm out partner soon.

On slide 12, Kurdistan remains as per the second quarter, with production steady at just over 26,000 boepd. We do, however, continue to monitor the security situation very closely.

Wrapping up with Zora on slide 13, we have been producing gas since February, but we have faced some difficulty in maintaining pressure and this has resulted in a decline in our Sharjah-2 production rate to 2,560 boepd. We were due to work over the well in quarter four, but this has been deferred now, as we undertake further analysis to optimise the well intervention programme and to determine what additional works may be required to have an impact on the flow rates. There are many variables that could be affecting the drop in pressure, though we are optimising the well intervention programme with this in mind. We will have a clearer perspective towards the end of the year on next steps.

Thank you once again for the opportunity to talk you through the operational side and I now I will hand you back to Patrick to wrap up the presentation.

Dr Patrick Allman-Ward
Thank you, Iman, thank you, Chris. Turning to slide 14, I will turn my attention briefly to the two arbitrations.

With regards to the KRG arbitration, I was at the LCIA in September as part of Pearl Petroleum's pleadings regarding their entitlement to receivables in respect to excess gas and for substantial damage claims for wrongful interference with the Consortium's long-term rights over the Khor Mor and Chemchemal fields. In turn, the KRG submitted a variety of counterclaims. We expect a further partial final award on this issue next month, with a final hearing to be scheduled in the first half of 2017 to address the Consortium's claim for wrongful late development and possibly the KRG's mirror claim.

Separately, on 14 October 2016, the KRG withdrew their claims in the English High Court to challenge the second partial final award, which was handed down on 27 November 2015. For your recollection, the second partial final award ordered the KRG to pay the Consortium the sum of $1.963 billion for outstanding unpaid invoices for the produced condensate and LPG up to 30 June 2015, and as per the pricing methodology that had already been determined by the tribunal in the first partial final award in July 2015.

The withdrawal of these challenges means that we can now enforce action on the sum and we are reviewing our options with our legal team. Lastly, the final hearing concerning the UAE gas project arbitration against NIOC commenced on 3 November in The Hague. This is to determine the quantum of damages against the NIOC for non-performance against their contractual obligations.

In conclusion, the third quarter presents a rather mixed bag of results. Looking at the glass half empty, we are behind schedule on our collections from Egypt, which may impact our activity plans for 2017. The low oil price environment continues to persist with no sign of a robust recovery in the near future. The outlook for production from the Zora project is currently unclear and we will need to do some work in the near future to see how we can economically return to the planned production levels. On the positive side of the equation, we are doing well operationally and have added significantly to production. We have exciting well results due early in the first quarter of next year. We have made encouraging progress on both of our two major arbitration cases. Finally, we are seeing legal clarity on the possibility of enforcement of our arbitration awards.

In terms of our short to medium-term priorities, we will continue to focus on managing for margin; in other words, improving our overall financial performance in terms of increased efficiency by lowering unit costs. This will mean targeting further cost savings on G&A and OpEx where possible or at least maintain it within this year’s monetary spend, which has been our lowest to date, and reviewing our capital expenditure in the light of our receivables position. Our Sukuk refinancing is due in 12 months’ time and we are studying different options on how best to achieve that.

On that note, thank you all for your time and I will hand you back to the operator, who will start the Q&A process.

Question and Answer Session

Operator
[Operator Instructions]

Our first question comes from Hakam Tarabein from Al Ramz Capital. Please go ahead.

Hakam Tarabein
First of all, I would like to ask about the production in Egypt. You say that your target is 50,000 boepd, so I'm wondering when it’s going to be. The second question is about the Forex effect of the depreciation of the Egyptian pound and how that would be affected on your financials. Also, I would like to ask about the UAE production. I mean, you said that you're going to know

by the end of the year how to deal with that, to resource the old targeted production levels, so I would like some more light on that. Thank you.

Dr Patrick Allman-Ward

Let me first deal briefly with the production in Egypt. The current maximum production capacity in Egypt is 40,000 boepd. That is our existing gas processing plant capacity, so any further expansion from that will have to come from either debottlenecking that additional capacity or adding additional capacity. We're looking at both those options. We're looking at debottlenecking the plant and we could do that perhaps quite cost effectively. We're still studying that option and we're also looking at the possibility of further plant expansion through the deployment of an early production facility adjacent to the existing plant. However, whether we go ahead with that will depend very much on our collections from Egypt in the remainder of this year. If we do go ahead with that capacity expansion then the target total capacity in Egypt will indeed increase to 50,000 boepd but the timing around that, as I say, will depend very much on whether we collect the money that we should before the end of the year.

With respect to your second question, the Forex effects on depreciation, as we have I think said very frequently, the majority of our expenditures in Egypt is in Egyptian pounds and the money that we have been paid in Egypt in Egyptian pounds are reserved for expenditures in Egypt, and so we have a natural hedge against the depreciation of the Egyptian pound, but clearly, given the fact that we have a store of Egyptian pounds and our accounting currency is US dollars, we do take a book value hit on the exchange rate and we will have to reflect that and will be reflecting that at the end of the year.

I don't know, Chris, if you'd like to add any additional questions on that.

Christopher Hearne

No. I mean, obviously it's an unrealised loss, because we will be using those Egyptian pounds in-country, so any loss in the books would be an unrealised loss.

Dr Patrick Allman-Ward

Thanks and then to your third question, Hakam, which was about the UAE production and a question of whether we would have some kind of results before the end of the year. That is unlikely. We are currently in the process of reviewing the well intervention programme that we will need to carry out in order to gather the information required in order to plan for what the next steps will need to be with respect to trying to further restore productivity from the Sharjah-2 well. Iman, do you want to just add any comments to that?

Iman Hill

No, I think you've said it all. There is a lot of work to be done to really understand how to make the most cost-effective and the most data-gathering effective programme that allows us to make key decisions about how to run the field in the future, and we will do that work over the next couple of months. It will probably be ready in essence sometime in late quarter one 2017 with a much more defined programme.

Hakam Tarabein
A follow-up question: what's the size of the impact of Egyptian pound depreciation? What's your estimate regarding that? Also, about the collection of receivables in Egypt, can you shed more colour on that, like why it happened, what's the current situation now?

Dr Patrick Allman-Ward
Let me address the collections question first and then I will hand off to Chris to address your follow-up question on the exchange rate. In terms of collections, we are actually on track this year in terms of 77% of our revenues as we were last year and last year we still managed to end the year with over 100% recoveries against our revenues. As I said, we tend to have a back loaded payment schedule in Egypt and that has been the case for the last three or four years, so we are still hopeful that we will be able to get paid, but I think we all recognise the macroeconomic challenges that Egypt is facing, particularly with respect to getting access to hard currency, to US dollars, and it is very likely that the payment to the petroleum sector will be closely linked to the dispersal of the IMF loan to Egypt, which you know has been agreed upon, but is subject to a number of conditions precedent that have been set by the IMF, but which the Egyptian Government has largely fulfilled over the course of the last few months. We are hopeful that the IMF dispersal will take place before the end of the year and that, in turn, payments will be made to the petroleum sector.

Chris, would you like to handle the follow-up question on the exchange rate?

Christopher Hearne
Yes. I think it's really a fourth quarter event that we'll be able to give you that number. It obviously depends on some of the Egyptian spend during the quarter and how the exchange rate settles down, so I am afraid I will have to defer that until the fourth quarter results.

Operator
Our next question comes from Sergio Calci from J.P. Morgan. Please go ahead.

Sergio Calci

A couple of questions: one on the… just a follow-up question on the Sharjah, the Zora gas field. Can you just remind us what was your original budget or forecast for the gas production from that facility? Right now it's doing 13 and I think the processing plant has the capacity of 40, so where were you expecting to be, what was your original plan, and what kind of revenue were you expecting to generate on an annualised basis from this field?

Dr Patrick Allman-Ward
Sergio, the plant capacity was designed for 40 MMscfd of production and that was our expected well initial. We realised that the reservoir would decline and that we would need to build an infill development well in order to maintain that level of production. However, what has happened is that the production rates have not been as high as we had initially expected, so we started off with production levels of 20 MMscfd, although we actually did get a lot more condensate out of the gas stream than we had actually anticipated or planned for, which was compensatory in terms of value generation. The current production rate for the Sharjah-2 well is around 13 MMscfd, so we have seen over the course of the last nine months a decline in gas production of around 7 MMscfd.

Chris, do you want to make any comments about the revenue side of the question?

Christopher Hearne
Yes, I mean, I don't think we have given any complete guidance. I think if you took the gas price and the forecast production levels, you would have seen we were expecting around the order of $50 million a year from Zora

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Sergio Calci
In terms of the projects, I guess, the original cost of the project was 150, so are you able to give some estimate on what the additional CapEx has been on Zora this year for remedial action and what should we expect in terms of further CapEx going forward to bring the production back to the levels that you desire.

Dr Patrick Allman-Ward
CapEx expenditure on Zora this year was an additional $3 million, so very minor indeed and that really represented some legacy items that drifted over from last year to this. We have to do the study work to understand what kind of well intervention we will need to carry out in order to be able to maximise our chances of further improving and restoring reservoir productivity to the expected levels, and we simply haven't got a figure as yet as to how much that well intervention will be, and so I can't, I am afraid, make comment about that. The expenditure, in any case, will be of course in 2017.

Sergio Calci

Just one last question on Zora, what is the level of operating expenditure associated with Zora?

Christopher Hearne

At the current level, the operation is breakeven. I don’t think we have given any OpEx guidance on Zora before.

Sergio Calci

Just one question on the Egypt side, I am sorry, I joined the call a little bit late, so you may have discussed this already, but historically, as you have mentioned before as well, Q4 is typically a large quarter for catch-up payments from Egyptian Government and Egypt has also has some good news in terms of reforms and they are likely to get an injection from the IMF in terms of their facility. Have you been getting any signals from Egypt that you might be in line for, perhaps, a lump sum payment, one of those ad hoc payments that you haven’t received, I guess, for the last two years or so, but is there a chance of that happening now.

Dr Patrick Allman-Ward

We have had a lot of discussions with the Minister of Petroleum and with other ministers in Egypt, and it is our understanding, which is a well-published understanding that theintent is for a petroleum industry and a petroleum sector payment to be made before the end of the year. I think that we have seen with recent developments with, for example, the floating of the Egyptian pound, with the further decrease in subsidies particularly around fuel that the Egyptian Government is taking very bold and brave steps in fulfilling the preconditions set by the IMF for the disbursement of the loan. Consequently, I am hopeful that the loan will indeed be – the first tranche of it indeed at least will be forthcoming before the end of the year.

Operator

Our next question comes from Gus Chehayeb from Sancta Capital Group. Please go ahead.

Gus Chehayeb

Thanks very much for the call and for all the updates. I have some questions about arbitration and then also the comment about the potential farm out in Egypt. Just in regards to the arbitration that is ongoing with the KRG on the second PFA, it seems uncharacteristic of the KRG to withdraw their appeal the way they did in October. I am wondering if this implies that they are looking towards a settlement, and if that isn't what it implies, then if you can update us on the status of your enforcement and your action plan in terms of finally recouping some of those funds. I will go onto my second question after you reply to that please.

Dr Patrick Allman-Ward

For the purposes of the transcript, would you like to repeat your question on the arbitration and then I will answer it.

Gus Chehayeb

Certainly, in regards to the KRG withdrawing their appeal for the second Partial Final order for the $2 billion award to the overall petroleum project, I thought that was very uncharacteristic of the KRG to withdraw an appeal for such a significant monetary award. I am wondering what you think the rationale is behind that and if you think that implies that they would rather move towards a settlement.

Dr Patrick Allman-Ward

Thanks, Gus. Of course, we don't know, we haven't been informed as to the reason why they withdrew their challenge. We do see it though as encouraging. Clearly, one potential reason is that they have been advised that the probability of success of continuing with their challenge is so low that it is not worth the cost of prosecuting it, and that certainly I think is the case. The second item, indeed, is more positive and encouraging, which is that we hope that it does indeed reflect a realisation in the KRG that continuing with the arbitration is a negative sum game and that it would be far better to come t o a negotiated settlement, which would be in the best interests of all the parties. We are hopeful that what we will shortly hear that attempts at renegotiating a win-win solution will be reactivated and that is certainly our wish. We always felt that a negotiated settlement was the optimum outcome.

With respect to our ability to enforce the claim, clearly, that is an option that we are considering. We hope that it would not be necessary to do that and we hope, again, of course, that through the commencement of the negotiations under goodwill that we will not need to pursue that course of action.

Gus Chehayeb

Thank you very much, Patrick, that is very helpful. In regards to – not to dwell too much on arbitration, but the amounts are very significant, it could be game changers for the refinancing prospects of the firm – so I am just wondering in regards to the damages award hearing that began just a few days ago with Crescent and NIOC, the monetary amounts being quoted in the Iranian press are north of $20 billion for delayed gas, 10 years plus, and I am just wondering if you can give us any context around if those numbers are real or not, if that is the size of the damages claims that Crescent is looking for in these hearings, if it has big implications for Dana Gas equity and bond investors.

Dr Patrick Allman-Ward

Gus, as you know, Dana Gas is not a party to the arbitration, so we are not and don't have access to privileged information, so I am not actually in a place to share with you, simply because I don't know much more than what is in the public domain. As you say, the arbitration for the damages claim phase started on the 3rd November, it is scheduled to last three weeks. The sums that we believe are being claimed in damages are substantial. I have seen figures in the past quoted by the Iranians themselves of 18 billion, you have just said north of 20, so it is around that kind of order of magnitude presumably, as it is likely to be given the fact that this was for the delivery of 600 MMscfd, which represents about 10% of the UAE's total gas consumption on a daily basis, so it was a very significant volume of gas, and the duration of the contract was for 30 years. It is very likely to be a very large figure indeed.

In terms of timing, our understanding is that once the three-week hearing is completed, that it will be anything between three and six months before an arbitral judgment will be forthcoming. On an optimistic level, it would be April next year. On a pessimistic level, perhaps closer to June next year before we hear what the outcome will be. What we do certainly know, in answer to your query about Dana Gas' position is that we do know that Crescent Petroleum has made allowances in their damages claim to cover damages that other parties, such as ourselves downstream of them have incurred as a result of the fact that the NIOC has not honoured its contractual obligations.

Operator

Our next question comes from Khaled Abdel Majeed from MENA Capital. Please go ahead.

Khaled Abdel Majeed

Are you still of the opinion that the Pearl Petroleum fields are the only fields capable of fulfilling the KRG's commitment to export gas to Turkey at the end of 2017?

Dr Patrick Allman-Ward

Khaled, thank you, you're talking about one of my favourite subjects, which is, of course, field development, and as somebody who was involved in Saudi Arabia in the appraisal and field development or the potential field development of a sour gas field, very similar in terms of its composition to the Miran and Bina Bawi fields in the Kurdistan region of Iraq, I think that the likelihood of those fields with a very high sour gas content being brought on-stream by 2017 is very low indeed. Miracles do happen, so I am not saying it is impossible, but the handling of sour gas in those levels and quantities is not a simple thing to do, and if you reflect on the length of time it took Occidental Petroleum to get the Shah gas field into production, which has a very similar kind of sour gas content, and if you also reflect on the costs associated with that development, for very similar kind of production levels, then I think you get a sense of what might be achievable in respect to the development of the sour gas resources in Kurdistan. There is, of course, an additional challenge, which is that as Kurdistan is a land-locked area, how and what do you do with the sulphur that is produced as a by-product from the processing and purification of the gas, which is a huge challenge in and of itself.

If you're talking about achieving the target of a 1 Bcf of gas a day production, 10 Bcm a year, by 2017 then I think, frankly, the sweet gas resources that are present in Kor Mor and Chemchemal are the best option that the Kurdistan Regional Government has got to honouring those contractual obligations.

Khaled Abdel Majeed
Wouldn't that provide an extra incentive for them to negotiate with you and settle?

Dr Patrick Allman-Ward
One would certainly think so, yes, I agree.

Khaled Abdel Majeed
Given that it takes some time for you to ramp up your production, you would imagine that a settlement would need to be reached in the next couple of months.

Dr Patrick Allman-Ward
That would be the logic, yes, but as we know, things don't always follow logically, particularly in this region.

Khaled Abdel Majeed
Sadly you are right. Thank you.

Operator
Our next question comes from Zeina Rizk from Arqaam Capital. Please go ahead.

Zeina Rizk
I wanted to ask you about the refinancing of the Sukuks. Yes, you said you were looking at options, but can we have more clarification, especially that you bought back 50 million. Why stop at only 50 million and what are the next steps?

Dr Patrick Allman-Ward
Zeina, thank you very much. I can confirm, indeed, that we did indeed buyback 50 million of the plain 9% Sukuk, but with respect to our plans going forwards, let me hand that to Chris.

Christopher Hearne
We did buyback 50 as you know, it was done at a price considerably below where the bonds are currently trading, so we are opportunistic about buying back bonds in the market, but at the current level, I think we're unlikely to go into the market and buy more. With regard to the refinancing itself, yes, we have looked at a wide range of options. As you know, we have talked about it. We have some things that are available to the Company. We have looked at debt, we have looked at a new bond, and we have looked at a general refinancing, and we are still formulating those plans. We are coming to some conclusions, but equally, the current period and this quarter coming up and early into next year is still an important time for the Company in terms of some of the important things we're going to see happen, particularly around collections, which will give us a feel for how much cash the Company will have at yearend, progress in the arbitration case as well, and we hope early next year to have a result on the Mocha well. Some of these things are still quite important to us to see how they pan out over the next few months.

What we have done is we have been doing some work, some of you may have seen, to try and establish who the key bondholders are that will help us facilitate that process when we kick it off. At the moment, I can't say much more about the refinancing and definitive plans that I suspect you're looking for than I have already.

Operator
Our next question comes from Sanyalak Manibandhu from National Bank of Abu Dhabi. Please go ahead.

Sanyalak Manibandhu
My two questions are… one is about Crescent and NIOC, you mentioned that you're not party to the NIOC contract and that is what I remember going back to 2007, but you are party with Crescent and could you just give us an indication of what you stand to gain if there were a settlement with the NIOC. That is my first question. The second question relates to the arbitration again, I am just wondering whether it is reasonable to expect the KRG to settle before they are happy with what goes on with their counterclaim, that is not going to be heard until the first half of 2017.

Dr Patrick Allman-Ward

Thanks, Sanyalak. The first question about NIOC, as I said, we don't know exactly the formula or the damages claim amounts or the composition that Crescent has put in. Clearly, it will have to take into account that we have $1 billion worth of assets which represent the offshore Riser platform, the UGTC pipeline network and the SajGas gas processing plant. Clearly, as a minimum, we would be expecting to recover the values of those assets. On top of that, we have… because those assets are 100% Dana Gas, we would at least expect to be recovering the tariffs that we were going to charge to the CGNC, which was the gas marketing company, and those tariffs represented a steady stream of money over a course of many, many years, so we would expect to be recovering those expected revenues as well.

Then finally, of course, we are as Dana Gas, a 35% shareholder in CNGCL, which is the gas marketing company, so we would expect to get 35% of the damages reflecting the loss of marketing of that gas into the Northern Emirates over that 30-year period.

Sanyalak Manibandhu
And on the arbitration, the link between the second PFA and the counterclaims going on in the first half of 2017.

Dr Patrick Allman-Ward
The second part of your question indeed, relates to the hearing in September which consisted of three major elements. The first element was a clarification sought by the parties from the tribunal reflecting the few outstanding contractual interpretations, particularly around the definition of excess gas, because as you know, the consortium has never charged the KRG for excess gas and that has never been reflected in Dana Gas' financial statements, because we didn't know for sure what the excess gas amount was and we didn't know what the price for the excess gas would be. Both of those are key points that the parties are seeking clarification on at this phase from the Tribunal.

The second major area of clarification was around some relatively minor costs associated with losses incurred by the parties as a result of the actions that had been taken by the KRG.

Thirdly, there was what the lawyers called "*in limine*" issues, i.e. matters of legal principle related to Dana Gas and the Claimant's rather application with respect to our delayed damages claim and the counterclaims that have been put forwards by the KRG. What we hope we will get by the middle of December is a clear ruling from the tribunal that our damages claims are, as a matter of law and a matter of principle, allowable and that, therefore, we can move forwards to a damages phase related to those claims and, of course, we hope that the Tribunal would agree with us that the counterclaims as put forwards by the KRG have no validity and will be set aside and, therefore, there will be no need to pursue a damages phase with relation to the KRG's counterclaims.

Operator
Our next question comes from Tegran Giorken from BCS. Please go ahead.

Tegran Giorken
I have two questions. The first one is can you please give me a split between maintenance and growth CapEx, as I see so all your CapEx is growth CapEx, but why do you spend $100 million per year but there is no significant increase in the production of gas.

Dr Patrick Allman-Ward
Tegran, thank you. Let me address that perhaps at a very high level and I will be happy to hand over to Chris. Obviously, the money that we have been spending this year and all the CapEx we have been investing this year particularly has been in Egypt. As you have seen, the consequence of that investment has been a 25% increase in production, so I don't think it is true to say that the investment of CapEx has not had a result in terms of production increase, because it clearly has done, and the production increase that we are seeing is a direct result of the investments that we have made in the gas production enhancement agreement investment programme since the middle of last year.

Let me then ask Chris perhaps to address the question in relationship to the split between maintenance and growth CapEx.

Christopher Hearne
The split I would have to come back to you on, but my estimate would be that it would be less than 25% of the expenditure would be maintenance CapEx. A lot less than that.

Dr Patrick Allman-Ward
I think to be clear for our Kurdistan region assets, well, we have, I think, 1% of the expenditure there or less than 5% for sure at the moment is on our capital expenditure, and consequently, in Egypt, the majority of the expenditure is on growth. These are two very, very contrasting pieces of business, one where we have made the capital expenditure in the past and we're now reaping the benefit in terms of production, and another where we are investing actively in order to grow production.

Tegran Giorken
I have one more question, so how risky is the system when… as I know, oil and gas is exported from KRY to Turkey and then cash for these oil and gas is received through Iraq's Government.

As I know, Iraq Government is not financially stable right now and so my question is, how do you measure the risks of not being paid by Iraq's Government?

Dr Patrick Allman-Ward
I will make this a very short answer in view of time and then I will invite you to perhaps touch base again with Mohammed, because this is quite a long story, but I will keep it very short for the purposes of this discussion. That is to say that currently all of our liquids products are being sold into the local market in the Kurdistan region of Iraq, and we are being paid directly by local traders in US dollars in advance. We do not have any counterparty risk with respect to either the Federal Government of Iraq or, in fact, for that matter from the Kurdistan Regional Government either.

Operator
Our next question from Sharif Eid from Franklin Templeton Investments. Please go ahead.

Sharif Eid
I have two quick questions on Egypt. The first was regarding the farm out that was briefly discussed, can I ask what the ideal ultimate objective is of that transaction? Would you just simply be looking to, basically, fund the CapEx or would you potentially look at selling a stake to help in the refinancing of debt. The second and related question is, in the lead-up to the changes that happening in Egypt, are you seeing any increased interest of lending from international banks or multinationals that are looking to fund projects in Egypt, potentially energy related that you could tap into. Thank you.

Dr Patrick Allman-Ward
In terms of Block-6, we are 100% equity owner in Block-6, the El Arish offshore block, and as is very standard and classic industry practice, we are looking to farm down our interest in that block in return for a carry on exploration activities. Clearly, this is a question for negotiation, but as a minimum, we would expect to see a carry for the first exploration well, which represents a carry for our commitment in the first exploration period.

In terms of the changes in Egypt and multilaterals, let me perhaps hand that one off to Chris for a comment. Let me come back and just simply say that irrespective of the changes that we have seen recently in the IMF loan, we have been in longstanding discussions with multilateral entities with the idea of perhaps raising some debt for our Egyptian operations. That has predated the discussions that Egypt has held with the IMF. Certainly, of course, if the IMF loan goes through, it can only be helpful in that regard, but it hasn't hindered us having those sorts of discussions before.

Operator
Ladies and gentlemen, this concludes today's conference call. Thank you all for your participation, you may now disconnect.