# Transcription for Dana Gas
# 4Q 2014 Results Investor Call

5th February 2015

## Presentation

**Operator:**
Good day and welcome to Dana Gas Capital Markets 2014 Financial Year Results Presentation.

**Hootan Yazhari:**
Good morning, hello and good afternoon depending on wherever you are. My name is Hootan Yazhari, I am head of MENA and Global Frontiers equity research at Bank of America Merrill Lynch. It is with great pleasure today that we are hosting Dana Gas's fourth quarter 2014 results conference call with the management team, and without any further ado I will now pass on the line to Robinder Singh, who will be introducing the management team.

**Robinder Singh:**
Thank you, Hootan, and again good morning and good afternoon to all of you. Thank you very much for signing on to the call. This is a pretty full room here. We have Dr. Patrick Allman-Ward, who is going to chair the meeting. He's the CEO, Dana Gas, with me also are Dr. Mark Fenton our General Manager in Egypt; Paul Gayton our Technical Director and the General Manager for the UAE project; we have the finance team with Ranga Kishore and Azfar Aboobakar; and of course I head up IR. So we'll take you through a presentation now and then open the call up for Q&A. Thank you.

**Patrick Allman-Ward:**
Hello and welcome to our year-end financial reporting investor call. I'm going through the highlights hopefully in the first ten minutes or so, then I'm going to hand over to Azfar, who will take you through some of the more detailed financial performance metrics, and then we'll go through the various operating units that we have and then I'll come back and round up the session at the end with a few concluding remarks and comments.

So I think the first point I wanted to make was that 2014 has been a pretty challenging year, not just for us in Dana Gas of course but against the backdrop in the region of continuing difficult operating environment, from a geopolitical, macro-economic (particularly in Egypt) and obviously from a security perspective in Northern Iraq. But despite all of that, Dana Gas has really delivered a very robust financial and operational performance.

Starting with our operations performance, our net production in 2014 increased by 6% to 68,900 barrels of oil equivalent per day (boepd) compared to 2013's average of 64,700 boepd. Dana Gas Egypt was the main contributor to that growth with a 9% increase in production up to a shade under 40,000 boepd. In the Kurdistan region of Iraq, the company also managed to increase production, our share of production, by a respectable 3% to just under 30,000 boepd, and that was largely as a result of optimization of the production facilities' operating parameters and the replacement of some MOL sieves.

So the consequence of that increase in production was that we had an increase in the 2014 revenue to $ 683 million, which was a 5% increase year-on-year and that was despite, of course, the sharp fall in oil prices during the second half of the year.

We also had a very good year in Egypt with respect to collections, which were the highest since we started operations there in 2007. The total was $ 210 million of which $ 163 million was in cash and we managed to find offsets for a further $ 47 million. As a result of that, our receivables position in Egypt decreased at the end of 2014 to $ 233 million from a position a year earlier of $ 274 million. In the Kurdistan region of Iraq, we were also able to commence local sales of condensate and LPG products in September and that's resulted in collections of $ 34 million over the last four months of the year. However, this still represents an under-recovery against our contractual rights and therefore the company's receivables position in the KRI has further increased to $ 746 million as compared to $ 515 million the year earlier. And of course that is also impacted from the fact that the first eight months of the year we didn't collect anything at all in the KRI.

In terms of cash balance, we were down on the year from the figure at year end 2014 of $ 184 million down from $ 204 million in 2013. However, this was substantially better than we had expected and that was a result of both higher collections anticipated from Egypt and also the lower rate of expenditure on the Zora development project than we had anticipated, and also from some judicious money management from the team here. However, I just want to make it very clear that as far as Egypt is concerned, the bulk of these cash reserves are ring-fenced to fund the next phase of the investment programme that we are about to carry out linked to the Gas Production Enhancement Agreement (GPEA) in Egypt and also that we have ring-fenced a certain portion of that for our continuing equity contribution to fund the Zora development project here in the UAE.

We were very excited about the signature of the landmark Gas Production Enhancement Agreement (GPEA) in the middle of last year in Egypt and this will allow the company to significantly enhance our production and thereby to start recovering our outstanding deliverables in a phased manner over the next few years.

So we've calculate that even on the prevailing oil prices, the overdue receivables are still forecast to be recovered in 2018. I'd just like you to note that this assumption excludes the possibility at the moment of any further bullet payments being made by the Egyptian government related to the overall overdue receivables position in the petroleum sector as a whole.

So under the GPEA, we will invest $ 350 million over the next three years, principally in the drilling of new development wells, re-completing existing wells, hook-ups and de-bottlenecking activities. And that will result in an incremental production of approximately 270 billion cubic feet of natural gas, just under 10 million barrels of condensate and around half a million tons of LPG. Peak production is expected to occur in 2017 and in that year, we expect to see incremental daily production of approximately 160 million standard cubic feet of gas per day and about 5,600 barrels of condensate. So that really is reflecting a summary of the operational and financial performance.

Moving on to other aspects that we have communicated in the past, which is a focus on achieving new material growth opportunities, we were also very successful in this area in 2014. We acquired two new additional exploration licenses, the first is Block-1 or the North El Salhiya Block in which Dana Gas is the 100% owner and operator, and this is located in the onshore part of the Nile Delta immediately to the east of the company's existing development leases. And we anticipate with this block that we will continue with our previously highly successful conventional shallow gas exploration and production business. Of course we have existing infrastructure, which will mean that any successes can be quickly hooked up to our existing network of pipelines and our existing production facilities.

In Block-3, which is the El Matariya block which is located to the west of our existing development leases, we are participating in that block on a 50% basis with BP as our partner. The real focus of this block is to target the deep Oligocene potential in this area which in case of success would result in a material production growth for us in Egypt and that would really be transformational for the company.

Closer to home in the UAE, we've progressed really well with the Zora Field development project and jacket construction and load out has now been completed. We are just about to finish the laying of the pipeline; in fact, we anticipate that that will be during the course of this week. Onshore facilities construction has commenced and is starting to make excellent progress, and so the project is overall on track for first gas at the end of the first half of 2015.

Finally but certainly not least, we're extremely proud of our health, safety, security and environmental record for the year and our sustainable development achievements. Starting with HSSE, we had a 12-month rolling total recordable injury frequency or TRIF of 0.36 compared with 0.37 during the same period of the year 2013, and against our target of 0.50. We have sustained a number of loss of primary containment incidents in 2014, which was slightly up from our score in 2013. Clearly this is an area that we are going to focus on in this coming year and going forwards.

We also remain strongly committed to our corporate social responsibility efforts. We endeavor to make a positive and lasting impact and contribution to the communities in which we live and operate and particularly in the areas of healthcare and also in providing additional educational facilities and improving educational standards. Some examples of those that we have been involved in are, for example, providing higher education sponsorships here in the UAE to help address the growing scourge of youth unemployment in the country. We have also been involved in enhancing healthcare facilities, better educational facilities and teaching tools in the Nile Delta and the KRI. We've also been involved in providing some small and medium-sized enterprise seed money to support local businesses and provide opportunities for local employment in both Egypt and the KRI. And specific to the KRI, we have provided social support for orphans which have resulted sadly from the years of conflict that have characterized that region. We have also been involved in enhancing infrastructure and providing potable water supplies, electricity generation and access roads for local communities in which we operate.

So I'd like to bring it to a close there in terms of my opening remarks and comments and I will pass on now to my colleagues who will be going through some of these issues in a little bit more detail. I'll start, if I may, with Azfar Aboobakar, our Head of Financial Control and Reporting, who will provide some additional details around our financial figures.

**Azfar Aboobakar:**
Thank you, Patrick. Good morning, good afternoon and good evening, everyone, depending on where you are. I will now review with you our financial results for the fourth quarter and the year ended 2014.

As announced today morning, Dana Gas reported a full year net profit of $ 125 million as compared to $ 156 million in the prior year and for the quarter reported a small loss of $ 4 million as compared to a profit of $ 35 million in 4Q 2013. I will be discussing these in more details.

Let's start with slide 10. Gross revenue for 2014 was higher by 5% at $ 683 million as compared to $ 652 million in 2013. This increase in revenue was mainly due to increased production, which was higher by 6% across the Group; more specifically production increase in Egypt contributed $ 31 million to the revenue and the increase of production in Kurdistan region of Iraq contributed $ 57 million to the gross number. This increase in revenue both from Egypt and Kurdistan region of Iraq was partially offset by the lower realised hydrocarbon prices during the fourth quarter of 2014 which I'm sure you all are aware of.

Net profit for the year was lower at $ 125 million compared to $ 156 million in 2013. The key variances of profitability of current year compared to last year are as follows. We have taken an impairment charge of $ 22 million in 2014 relating to certain assets in Egypt and if you look at the 2013 results, that included a one-off gain of $ 39 million resulting from a partial sale of MOL investment. As mentioned earlier, the production increase during the year more than offset the decline in oil price and positive contribution was realised through focus on reduction of operating costs and overheads. If you look at the results on an operational basis, that is after excluding the one-off gain last year from the sale of investment, our profits from operations in 2014 have increased by 9% compared to that of last year.

Moving to slide 11, here we have a comparison of the 4Q results. The softening of hydrocarbon prices during the fourth quarter negatively impacted our gross revenue, which is down by 24% to $ 142 million. Here it's important to mention that Dana Gas has a natural hedge against the oil price given that all of our gas contracts are at fixed prices and the impact of lower prices is mainly on the LPG and condensate. As a result of the lower prices for LPG and condensate, we have to take an impairment charge in relation to certain of our assets and this was the main negative contribution in 4Q 2014. It's also important to highlight that the impairment charge can be reversed and will be reversed if oil prices reverse and go back up to the previous levels.

I'll move to slide number 12, the production variances are presented. In 2014, overall production increased by 6% to 68,900 boepd. The production in Egypt increased by 9% to 40,400 boepd and in Kurdistan region of Iraq, production increased by 3% to 28,500 boepd. In the operational highlights you'll hear more about the production increases which my colleagues will cover.

I'll move to slide 13. Here we have presented the comparison of the realised hydrocarbon prices for the full year and also for the 4Q. As is evident, the price impact in the fourth quarter was significantly felt with condensate and LPG prices on average lower by 32% and 33% respectively.

Moving to slide number 14, during 2014, as Patrick mentioned earlier, our total collections stood at $ 244 million. Of this, in Egypt we collected $ 210 million and the balance coming from Kurdistan region of Iraq.

Going into the specifics of the collection in Dana Gas Egypt, we collected cash of $ 163 million and there were offsets agreed with EGAS and EGPC of another $ 47 million, of which $ 20 million was against the Block-6 concession and the balance ($ 27 million) was offset against the payables we had to government or related entities.

In quarter four alone, our collections in Egypt stood at $ 82 million of which $ 60 million was received close to the year end as part of the oil and gas industry payment. The cash collected in Egypt is earmarked for reduction of the overdue payables and to fund the future investment for the gas production enhancement. At year end, our trade receivables in Egypt stood at $ 233 million, down from $ 274 million in 2013.

Moving to Kurdistan region of Iraq, here the company's share of collections stood at $ 34 million compared to $ 69 million in 2013. Collection in 2014, if you recall, had remained suspended for the first eight months and resumed in September when the company was enabled to make direct local sales of condensate and LPG to third parties. The amount collected of $ 34 million includes a cash advance of $ 18 million which has been received as a guarantee for future lifting of the products. At year end, Dana Gas share of receivables due from Kurdistan region of Iraq stood at $ 746 million.

At year end, our cash balance stood at $ 184 million compared to $ 204 million which we had at the start of the year. As mentioned earlier, our cash balance received a boost near year end following the receipt of the $ 60 million from Egypt. We continue to carefully manage our cash flow by balancing our receipts with expenditures and keeping a strong focus on controlling cost.

With this I would like to end the financial review and hand over to my colleague Ranga Kishore, who will provide an update on the financing activities.

**Ranga Kishore:**
Good morning and good afternoon, this is the financing update on Dana Gas activities. If you recall, there was a restructuring of the sukuk in April 2013 wherein the sukuk was split into two parts: ordinary sukuk of $ 425 million carrying a coupon of 9% and a convertible sukuk of $ 425 million with a coupon rate of 7%.

During the year 2014, especially in the first half of the year, there were redemptions of convertible sukuk amounting to $ 73 million and upon conversion, there were 357 million shares of Dana Gas that were issue to redeem the said sukuk. Both the sukuks are due October 2017. As a proactive measure, we are now looking at multiple options to manage this liability.

If we move over to Zora financing, if you recall, in mid 2014 we finalised our financing agreement with four lenders: Emirates NBD, Commercial Bank of Dubai, Commercial Bank International and Barwa Bank in a syndication facility of $100 million. The equity portion is about to be completed. We are expecting the drawdown to happen in February this month after completion of the remaining conditions precedent.

We are happy to report that IJ Global, a UK institutions, has selected Zora financing as a winner of the "Middle East Oil and Gas 2014 Award".

There are other couple of minor financing activities which are non-recourse to the parent which are currently in the pipeline in Egypt. We will update the market upon financial closure. The remaining MOL shares are now treated as cash reserve; the latest value is around $ 48 million as of the 1 February 2015.

With this I now hand it over to Dr Mark Fenton, General Manager Egypt, to give an update on Egyptian securities.

**Mark Fenton:**
Good morning, afternoon and evening, ladies and gentlemen. It's my pleasure to present the Egypt operations section of the presentation. Please refer to slide 18 entitled 'Egypt Nile Delta Operations'.

So Dana Gas Egypt's development leases are all located onshore in the Nile Delta. There are 13 development leases and the gas condensate fields that are contained within them are evacuated via Dana Gas's extensive pipeline infrastructure to two processing plants, one located in the north called the El Wastani Central Processing Facility that handles most of Dana Gas's production and separates gas condensate and water, and the plant in the south, the South El Manzala Plant that separates dry gas from water.

One additional development license has just been approved, the Begonia development license, in the last few days. So there is an update on the slide pack there.

As far as production is concerned from our operations, the 4Q 2014 average is just under 38,000 boepd and this is lower than the Q3 production. Nevertheless, the full year production average of approximately 40,000 barrels per day (boe), is significantly higher than the average that was achieved in 2013 of approximately 37,000 boe per day. This is a particularly good achievement since there were no wells drilled in 2014 and is as a result of production optimization from the existing fields. As far as commercial activity is concerned, the GPEA which was signed in the middle of 2014, the ancillary agreements that are attached to that agreement are expected to be approved before the end of this month.

The company is now in the initial stages of the execution phase of the programme that was committed to in the so-called Condensate Export Project. This programme essentially consists of drilling up the remaining 2P reserves of our onshore discoveries but also included in our plans appraisal drilling of these wells that have no reserves attached to them so far, where needed; and also some exploration drilling as well over the next couple of years. To do this, three rigs are being secured – two drilling rigs and one work-over rig and we expect the drilling start-up to occur before the end of the 1Q 2015.

The current plan for 2015 is to drill 10 wells and ten work-overs and some four wells restorations as well this year. An extensive pipeline infrastructure upgrade is underway to support this drilling programme with the new wells tied into the existing infrastructure via new pipelines to evacuate the gas and condensate to our northern processing facility.

Our exploration efforts are now gathering pace in our offshore Block-6 concession. We've embarked on extensive geological and geophysical studies. They're well advanced and will be completed prior to commencing seismic acquisition in the second quarter of this year. An environmental impact assessment will also be completed ahead of the seismic operations. Seismic reprocessing of vintage 2D seismic data across the block has been done with a number of very encouraging structures identified already. The initial seismic acquisition will consist of approximately 2000 line kilometers of 2D seismic to cover the deep water portion of the block where there is currently very limited seismic coverage. The seismic acquisition tender has been awarded and acquisition is expected to start in the second quarter.

Firstly, the recent highlight in the company has been the North El Salhiya Block-1 and El Matariya Block-3 onshore concessions in the Nile Delta being ratified on the 15 January this year. In Block-1, Dana Gas has a 100% working interest in this concession, as Patrick mentioned before, is an extension of the company's existing successful conventional shallow gas business.

In Block-3, Dana Gas has a 50% working interest and the concession is operated by BP as a 50/50 partner. The joint venture will target the deeper high potential Oligocene play which is proven in the offshore Nile Delta. The operator has commenced planning for a deep exploration well in the block. In addition, BP and Dana Gas are currently in discussion on a possible joint participation in some of Dana Gas's adjacent development leases linked to exploration success in the first exploration well in Block-3.

So in summary, as far as Egypt is concerned, collections from the Egyptian government in 2014 have improved significantly. Whilst this result has been very good, management will be focusing their efforts to further improve cash collections in the coming 12 months. Dana Gas has received $ 60 million as part of the industry-wide payment from the Egyptian government at the end of December, resulting in Egypt total collections for 2014 totaling $ 210 million. This represents 121% of the year's revenue and represents the highest collection receipt in Egypt since the company's inception. All of this money – or at least nearly all of this money – is earmarked for reinvestment in Egypt. The company has commenced execution of the gas production enhancement project in 2015. This will involve three rigs, two drilling and one work-over, with expected commencement of drilling very shortly before the end of Q1 this year, and involves some ten wells, ten work-overs and four restorations.

As far as exploration is concerned, onshore Block-1 and 3 are now ratified, with Block-1 targeting the successful shallow gas and condensate whilst Block-3 is targeting the deep Oligocene. In the offshore, final planning is underway for 2D seismic acquisition in Block-6, which is expected to start in the next quarter.

That concludes my presentation and I'd like now to hand over to Paul Gayton, our technical director, to present operations summary for the KRI and Zora.

**Paul Gayton:**
Thank you, Mark. Good morning, afternoon and evening, ladies and gentlemen. I'm going to present to you today a summary of the performance of our Kurdistan and our Zora operations, starting please with slide 24.

First of all on Kurdistan this quarter, based on our 40% Dana Gas share, the business delivered 28,400 boepd with gas making up 119 mmscf per day of net gas with 5,346 barrels of condensate and 275 tons of LPG. As previously reported, the molecular sieve desiccant has been replaced, which has allowed removal of the production constraints, allowing production to be kept up near 320 mmscf gross. We have maintained and improved sales to the local market, allowing us to increase LPG production by 34% in the period.

On the Zora project we remain in a position to deliver first gas in the first half of this year with capacity of 40 mmscf, some 6,650 boe. We expect to complete the pipeline installation imminently, later tonight or early tomorrow morning. The offshore platform installation is planned to be installed as soon as we get a clear weather window over the next three days, and that will lead to the piling and final installation and the platform and pipeline infrastructure by the end of February, the end of this month. Topsides construction is well advanced and onshore plant construction as well. We've planned to start drilling offshore this coming April.

That's a summary of the Zora and the Kurdistan operations. I'll hand you now back to our CEO, Patrick Allman-Ward.

**Patrick Allman-Ward:**
I just want to, on behalf of Duncan Maclean, our Commercial and New Business Development Director, just to touch upon new business development opportunities and I'll be very brief. Clearly, we continue to look and filter new business development opportunities in Dana Gas. So we have a very structured, stage-gated process by which we evaluate opportunities, we put them through various criteria at various stages of valuation and only those that promote are followed up; ones that don't make the grade are dropped out of the funnel at that point.

And as you can see from the figures, we have evaluated some 14 opportunities in the course of 2014 of which 2 were successful, that's namely the Block-1 and Block-3 that have been mentioned before in Egypt, and that represents a success ratio of 1:7 to 1:10 which is quite common to the industry as a whole. So that's very much in keeping with industry standards there. So just to say that we continue to focus on new business development opportunities. We continue to filter them and look at them as they come across our plate, as it were, and we do take action as and when we see opportunities that fit our criteria.

So then I will continue and just summaries with a few statements before we move it open to question time. So 2014 can be characterised as a difficult operating environment through the course of the year for the reasons that have been already discussed, but I'm glad to say that Dana Gas has continued to deliver excellent operating and financial results, and I think this speaks to both the quality of our assets, the geology and the physical representation of those assets on surface as well as of course to the quality of our staff who operate those assets.

Production has been increased significantly, as we've discussed, and that has also resulted in increase in revenues despite the significant downturn in oil prices in the second half of the year. Collections in Egypt were a high point and we started local sales in the KRI for the first time and that's helped us cover both our local costs and to make a contribution towards corporate commitments. However, despite these collections in Egypt and the Kurdistan region of Iraq, our overall receivables position has increased to $ 979 million by year end, and that is clearly an area of concern and something that management is focused on.

Our Gas Production Enhancement Agreement in Egypt has put in place a mechanism that will allow the company to recover our receivables in a gradual, structured way over time and allow us to start making investments again in Egypt that will maximise the value of those assets for our shareholders.

We continue to pursue a multibillion-dollar claim in the arbitration against the KRG for breach of contractual commitments and this will be determined in a merits hearing that has been ordered by the Tribunal to take place in the week of the 20 April of this year. We have put considerable effort into making – rather filtering and evaluating – material new growth opportunities and that has resulted in a couple of new concession agreements that could potentially be transformational for the company.

So we believe that we have delivered a strong operational performance and our improved collection position and focus on lowering operating costs, our opex was down by 17% on the year and G&A costs down by 13% on the year has resulted in a much stronger balance sheet. So overall, very proud of our achievements in 2014 and the contribution we've made to enhancing shareholder value as well as the quality of life of the communities in which we operate.

So we believe that we are now positioned to make significant strides in becoming the largest independent regional E&P Company and to generate long-term value for our shareholders.

So with that I'd like to pass it back to Robinder Singh, who will manage the Q&A session.

## Question and Answer Session

**Robinder Singh:**
Thank you very much, Patrick and gentlemen. Marianne, would you please open up the lines for Q&A? Thank you.

**Operator:**
Thank you. We will now take our first question from Loic de Robert from Aventicum. Please go ahead.

**Loic de Robert:**
Yes, hi. Thanks for the call. I have a couple of questions if I can. The first one is on your cash position, which has improved versus the end of the third quarter. Would you be able to give us a breakdown of how much of the cash is in dollars and how much of the cash is in local currency?

**Azfar Aboobakar:**
Of the total balance which you have at the year end of $ 184 million, we have approximately $ 70 million in Egyptian pounds.

**Loic de Robert:**
Yes, and the balance is it mostly dollars?

**Azfar Aboobakar:**
Well, the balance is a mix of dollars and dirhams because our local operational currency is dirhams. But given that dirhams is pegged to the dollar, it's a fixed rate, you can consider it as equivalent dollars.

**Loic de Robert:**
Okay. The other question is in one of your slides, you mentioned that you're reviewing different options to manage your liabilities. Could you please expand on that, what you mean, what are the options you are considering and what timing do you have set for yourself to make a decision as to what you would like to do?

**Patrick Allman-Ward:**
I don't think we want to go into any details because obviously this is a work in progress. We're taking a strategic level view. At the moment we're looking at a variety of different options. We're evaluating those and clearly our board will need to make decisions before we can disclose any more details about that.

**Loic de Robert:**
All right. One last question on your operation in the KRI, it seems that, as others, you are struggling to get paid. What's your stance on how the situation is going to evolve and will you expect payments to normalise?

**Patrick Allman-Ward:**
Well, clearly our position in the KRI is somewhat different to the other operators because we now have been allowed by the government to start local sales. So we are making local sales and we are being paid directly by the local off-takers in the KRI. That is a slightly different position than the other operators, they're effectively bought by the KRG and then on-shipped and sold by the KRG, who is taking the benefits and the revenues from that process and of course are then owing the proceeds back to the operators, and clearly under current circumstances the KRG is finding it difficult to pay the operators what they owe them.

Loic de Robert:
Sure, I understand but then if you have started to make sales directly to local traders or local operators or pumping plants or whatever they're called, presumably your receivables are going to decline there – or stop increasing at the minimum because it's paid upfront?

**Patrick Allman-Ward:**
No, that's not the situation. The situation is that our contract with the government there means that if we are not able to export our liquids component that the KRG will purchase our product at international prices and we will invoice the KRG and be paid by the KRG in international prices. Now this is one of the issues that currently is being disputed under the current arbitration but the issue therefore is that we are selling, as a temporary measure, into the local market. That is not in keeping with the terms of our contract. And therefore we are marking up the difference between what we should be paid under the terms of our contract and what we are actually being able to collect based on local sales.

**Loic de Robert:**
All right, that's it for me, thank you.

**Operator:**
We will now take our next question from Alex Stojanovski from Deutsche Bank.

**Alex Stojanovski:**
Yes, hi, good afternoon. Sorry, I connected a little bit late so I apologise if I am asking questions that you have already addressed. Specifically on Egypt, I wanted to understand a little bit more on the announcement that you made last year about the programme that you enlisted for the recovery of the receivables. At that time you outlined 2018 as the date to where you were expecting to get the normalised receivables. With the subsequent evolution of oil prices, I just wanted to understand how does that target date look at this point in time?

**Patrick Allman-Ward:**
Thanks, Alex. Yes. Our calculations currently show that there will be no change in the recovery date of those receivables in terms of the year in which they are going to be recovered. There will be some delay of a few months between the original repayment date and what we are now calculating as the probable repayment date based on current prices. I don't know, Mark, do you want to add something to that?

**Mark Fenton:**
Yes, the reason that the date at which we calculate the receivables will reach effectively zero has not changed is because the starting point for 2015 is lower than the original predictions because we received a $ 60 million payment at the end of 2014. So that's why the actual date has not changed.

**Patrick Allman-Ward:**
And obviously that recovery date is predicated on an assumption, which is the only assumption that we can obviously make at this point, which is that there will be no further bullet payments from the Egyptian government to the petroleum sector.

**Alex Stojanovski:**
Right, but again with a unit price that is some 40-50% lower than where it was when you made the announcement, how does receiving $ 60 million compensate for the fact that your price point is significantly lower?

**Patrick Allman-Ward:**
Well, there's another component to the GPEA which is that part of the GPEA is that the gas stream that the government has agreed that they will make sure that there are no overdue receivables that are more than 12 months old.

So the other component that we are seeing in terms of catch-up is that for the gas that we sell to the government, they have undertaken and are obligated to make sure that the overdue receivables are no more than 12 months. So that's another component that's helping us to recover our overdue receivables.

**Alex Stojanovski:**
Okay, and on that subject, so of the incremental production that you will be making, you will be exporting or selling to third parties the liquids and the LPGs. But the incremental gas, does it go back to the government under the same terms as your existing production?

**Patrick Allman-Ward:**
Yes, so gas will be sold onto the local market and in fact, although we are entitled to sell the LPGs internationally under our contract, the logistics of doing so are rather complicated and therefore in fact it's only going to be the condensates which we will physically be able to export.

**Alex Stojanovski:**
Okay, and who will be the buyer of the incremental gas?

**Patrick Allman-Ward:**
The incremental gas? All of the gas is sold to the government, to EGAS.

**Alex Stojanovski:**
Okay, but then how are you assured that this incremental gas that you are doing does not fall under the same issue that you have now, which is that the government is essentially not paying?

**Patrick Allman-Ward:**
That is of course a risk associated with the contract but also in the contract, there is a provision that if the government does not honour its part of the contract, we are also in turn able to scale down the amount of investments that we make. So we do have some leverage to ensure that they abide by the terms of the contract.

**Alex Stojanovski:**
So under the terms of the contract, they commit themselves that they will pay you for the incremental gas so that you can recover the outstanding receivables of the 200 and change that you have. Only on that gas.

**Patrick Allman-Ward:**
We will obviously sell the gas to them and they undertake that the overdue – well, the invoices, no invoice will be more than 12 months old.

**Alex Stojanovski:**
Okay, but again I'm just trying to understand. This is only specific to the incremental gas that you will produce related to the $ 270-$ 300 million capex, not to the existing products?

**Patrick Allman-Ward:**
No, the arrangement with respect to making sure that no single invoice is more than 12 months old applies to the entirety of the gas stream.

**Alex Stojanovski:**
Ah, the entire. Okay. And this is a commitment from which date?

**Patrick Allman-Ward:**
So I think it's September, isn't it, Azfar? Mark?

**Azfar Aboobakar:**
Yes.

**Patrick Allman-Ward:**
So as from September of this year, 2015, no invoice will be older than 12 months old, i.e. all invoices prior to September 2014 will be paid.

**Alex Stojanovski:**
Okay, so by September of this year, you will be compensated for gas that you have produced back in September and under this new enhancement production agreement.

**Mark Fenton:**
So what Patrick is trying to say that all production post the signing of the agreement, which was the beginning of September 2014, once those invoices become 12 months old, they must be paid and that's the entire gas stream. And in relation to the condensate, it's just an incremental component of the condensate over and above an agreed decline calculation that we have the right to sell. So in relation to the gas, from the day we sign the agreement, any gas produced after that date, the invoicing of that cannot be older than 12 months. It doesn't apply to all the historical gas in the past because that's a lot of receivables, but all the new gas produced after that date, those invoices can't be older than 12 months old. And that's why we have a bow wave of payments coming through towards the back end of 2015.

**Alex Stojanovski:**
Right, okay and what is the situation there now? There hasn't been any sort of material change given the – under the umbrella of the agreement that you have signed? In other words, ability, if not willingness, for them to actually start paying these invoices that are being submitted.

**Mark Fenton:**
Do you want me to comment? We haven't actually started our drilling programme yet so we have no incremental, appreciable amounts of incremental condensate to discuss or to bill the government with. But really the onus is on Dana Gas to get our programme going now. So once we get started drilling and hooking up the wells, that's when the incremental condensate will come through.

**Alex Stojanovski:**
Okay, thank you.

**Operator:**
There are no further questions in the queue at this time.

**Robinder Singh:**
All right, thank you ladies and gentlemen for signing onto the call. We are of course available to you after the call as well so please feel free to contact us directly should you have any further questions or wish to engage with the company hereafter. Thank you again and thank you, Marianne and Hootan.

**Hootan Yazhari:**
Thank you.

**Operator:**
Thank you. That will conclude today's conference call. Thank you for your participation, ladies and gentlemen, you may now disconnect.