

Indus Gas Limited and its subsidiaries

Unaudited Condensed Consolidated Interim Financial Statements
prepared in accordance with IFRS

Six months ended 30 September 2009

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Unaudited Condensed Consolidated Statements of Financial Position

(All amounts in United States Dollars, unless otherwise stated)

	Notes	As at 30 September 2009 US\$	As at 31 March 2009 US\$
ASSETS			
Non-current			
Intangible assets - Exploration and Evaluation assets	6	49,113,833	32,464,788
Property, plant and equipment	7	48,703,765	47,719,923
Capital work-in-progress	7	1,962,963	1,222,420
Other assets		10,188	9,092
Total non-current assets		99,790,749	81,416,223
Current assets			
Inventories		4,021,853	3,090,900
Recoverable from related party		59,393	2,544
Other current assets		244,379	22,836
Cash and cash equivalents		22,351,493	20,308,583
Total current assets		26,677,118	23,424,863
Total assets		126,467,867	104,841,086
EQUITY AND LIABILITIES			
STOCKHOLDERS' EQUITY			
Share capital		3,618,473	3,618,473
Additional paid-in capital		46,501,666	46,501,666
Currency translation reserve		(8,490,923)	(12,726,337)
Merger reserve		19,570,288	19,570,288
Accumulated (losses)/ earnings		(1,683,453)	601,802
Total Equity		59,516,051	57,565,892
LIABILITIES			
Non-current liabilities			
Provisions for decommissioning		305,745	273,264
Finance lease obligations, excluding current portion		127,624	156,692
Payable to Focus Energy Limited, a related party		49,855,568	-
Total non-current liabilities		50,288,937	429,956
Current liabilities			
Payable to related parties		16,528,419	46,709,224
Finance lease obligations (current portion)		76,028	90,404
Accrued expenses and other liabilities		58,432	45,610
Total current liabilities		16,662,879	46,845,238
Total liabilities		66,951,816	47,275,194
Total equity and liabilities		126,467,867	104,841,086

(The accompanying notes are an integral part of these Unaudited Condensed Consolidated Interim Financial Statements)

Unaudited Condensed Consolidated Income Statements

	Six months ended 30 September 2009 US\$	Six months ended 30 September 2008 US\$
Revenue	-	-
Cost and expenses		
Administrative expenses	627,329	624,492
Listing related costs	-	1,080,299
Loss from operations	(627,329)	(1,704,791)
Foreign exchange (loss)/ gain, net	9 (1,864,165)	491,777
Interest income	206,239	619,576
Loss before tax	(2,285,255)	(593,438)
Income tax expense	-	-
Loss after tax	(2,285,255)	(593,438)
Loss per share		
<i>Basic</i>	10 (0.01)	(0.00)*
<i>Diluted</i>	(0.01)	(0.00)*
<i>Par value of each share</i>	GBP 0.01	0.01

* Rounded off to Nil

(The accompanying notes are an integral part of these Unaudited Condensed Consolidated Interim Financial Statements)

Unaudited Condensed Consolidated Statements of Comprehensive Income

	Six months ended 30 September 2009 US\$	Six months ended 30 September 2008 US\$
Loss for the period	(2,285,255)	(593,438)
Exchange differences on translating foreign operations	4,235,414	(3,177,519)
Total comprehensive income/ (loss) for the period	1,950,159	(3,770,957)

(The accompanying notes are an integral part of these Unaudited Condensed Consolidated Interim Financial Statements)

Unaudited Condensed Consolidated Statements of changes in Equity

	Share capital		Additional paid in capital	Currency translation adjustment	Merger reserve	Accumulated losses	Total stockholders' equity
	Number	Amount US\$					
Balance as at 1 April 2008 <i>(After incorporating merger adjustment)</i>	167,670,002	3,320,856	-	1,080	19,570,288	(568,482)	22,323,742
Loss for the period	-	-	-	-	-	(593,438)	(593,438)
Currency Translation Adjustment	-	-	-	(3,177,519)	-	-	(3,177,519)
Total recognised income and expense for the period	-	-	-	(3,177,519)	-	(593,438)	(3,770,957)
Share capital issued	15,243,922	297,617	48,511,505	-	-	-	48,809,122
Costs of issue of new shares	-	-	(2,009,839)	-	-	-	(2,009,839)
Balance as at 30 September 2008	182,913,924	3,618,473	46,501,666	(3,176,439)	19,570,288	(1,161,920)	65,352,068
Balance as at 1 April 2009	182,913,924	3,618,473	46,501,666	(12,726,337)	19,570,288	601,802	57,565,892
Loss for the period	-	-	-	-	-	(2,285,255)	(2,285,255)
Currency Translation Adjustment	-	-	-	4,235,414	-	-	4,235,414
Total recognised income and expense for the period	-	-	-	4,235,414	-	(2,285,255)	1,950,159
Balance as at 30 September 2009	182,913,924	3,618,473	46,501,666	(8,490,923)	19,570,288	(1,683,453)	59,516,051

(The accompanying notes are an integral part of these Unaudited Condensed Consolidated Interim Financial Statements)

Unaudited Condensed Consolidated Statements of Cash Flows

	Six months ended 30 September 2009 US\$	Six months ended 30 September 2008 US\$
(A) Cash flow from operating activities		
Loss before tax	(2,285,255)	(593,438)
Adjustments		
Unrealized exchange loss / (gain)	1,748,543	(328,648)
Interest earned	(206,239)	(619,576)
Changes in operating assets and liabilities		
Inventories	(930,954)	148,256
Trade and other payables	142,328	(3,587)
Other current and non current assets	52,219	321,405
Other current and non current liabilities	36,540	(10,864)
Cash used in operations	(1,442,818)	(1,086,452)
Income taxes paid	-	-
Net cash used in operating activities	(1,442,818)	(1,086,452)
(B) Cash flow for investing activities		
Sale/transfer (to other blocks) of property, plant and equipment	22,725	331,127
Interest received	2,620	517,445
Other current assets	(58,077)	-
Loan from/ (to) related parties	1,073,763	(8,255,405)
Net cash provided by/ (used) in investing activities	1,041,031	(7,406,833)
(C) Cash flow from financing activities		
Net proceeds from issue of equity shares	-	46,904,055
Proceeds from short term borrowings	-	65,580
Net cash provided by financing activities	-	46,969,635
Net (decrease)/ increase in cash and cash equivalents	(401,787)	38,476,350
Cash and cash equivalents at the beginning of the period	20,308,583	5,720
Effect of exchange rate change on cash and cash equivalents	2,444,697	(3,309,096)
Cash and cash equivalents at the end of the period	22,351,493	35,172,974
Cash and cash equivalents comprise		
Balances with banks	22,351,493	35,172,974

(The accompanying notes are an integral part of these Unaudited Condensed Consolidated Interim Financial Statements)

Notes to Unaudited Condensed Consolidated Interim Financial Statements

1. INTRODUCTION

Indus Gas Limited (“Indus Gas” or “the Company”) was incorporated in the Island of Guernsey on 4 March 2008 pursuant to an Act of Royal Court of the Island of Guernsey. The Company was set up to act as the holding company of iServices Investments Limited (“iServices”) and Newbury Oil Company Limited (“Newbury”). iServices and Newbury are companies incorporated in Mauritius and Cyprus respectively. iServices was incorporated in the year 2003 and Newbury was incorporated in the year 2005. Subsequently, the Company was listed on the Alternative Investment Market (AIM) of the London Stock Exchange on 6 June 2008.

Indus Gas through its subsidiaries iServices and Newbury (hereinafter collectively referred to as “the Group”) is engaged in the business of oil and gas exploration, development and production. The Group owns an aggregate of 90 per cent participating interest in a petroleum exploration and development concession in India known as RJ-ON/06 (“the Block”). The balance 10 per cent participating interest is owned by Focus Energy Limited (“Focus”). Focus entered into a Production Sharing Contract (“PSC”) with the Government of India (“GOI”) and Oil and Natural Gas Corporation Limited (“ONGC”) on 30 June 1998 in respect of the Block. The participating interest explained above is subject to any option exercised by ONGC in respect of individual discoveries (already exercised for the SGL Field as further explained in Note 2).

2. JOINTLY CONTROLLED ASSETS

The Group is jointly engaged in oil and gas exploration, development and production activities along with Focus. This venture is a jointly controlled asset as defined under *LAS 31: Interest in Joint Ventures*. All rights and obligations in respect of exploration, development and production of oil and gas resources under the Interest sharing agreement are shared between Focus, iServices and Newbury in the ratio of 10 per cent, 65 per cent and 25 per cent respectively.

The aggregate amounts relating to jointly controlled assets, liabilities and expenses related thereto that have been included in the condensed consolidated interim financial statements are as follows:

	Period ended 30 September 2009	Year ended 31 March 2009
Non current assets	99,780,562	81,407,131
Current assets	4,021,853	3,090,900
Non current liabilities	50,288,937	429,956
Current liabilities	16,076,028	46,432,610
Expenses (net of finance income)	198,016	155,897

Under the PSC, the GOI, through ONGC had an option to acquire a 30 per cent participating interest in any discovered field, upon successful discovery of oil or gas reserves. Subsequent to the declaration of commercial discovery in well SGL #1 and SGL #2 on 21 January 2008 (SGL being an area within the Block declared as a commercial discovery on 21 January 2008), ONGC has exercised the option to acquire a 30 per cent participating interest in the discovered fields on 6 June 2008. On exercise of this option, ONGC shall contribute its share i.e. 30 per cent in development and production costs in respect of the relevant fields from the date of service of notice of the option i.e. 4 April 2008 and it shall be entitled to a 30 per cent share in the revenues (after past exploration and appraisal costs of Focus, iServices and Newbury are recovered in full). ONGC will also be responsible for 100 per cent of the applicable royalty and certain taxes with reference to the income from the field. Focus, iServices and Newbury continue to share costs and revenues after excluding ONGC's share as explained above and GOI's share of profit petroleum, in the existing ratio of 10 per cent, 65 per cent and 25 per cent respectively. Following the exercise of this option, Indus' participating interest in the SGL Field is reduced to 63 per cent.

3. BASIS OF PREPARATION

This condensed consolidated interim financial statements for the six months ended 30 September 2009 has been prepared in accordance with IAS 34, 'Interim financial reporting'. The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 March 2009, which have been prepared in accordance with IFRSs.

The Condensed Consolidated Interim Financial Statements have been prepared on a going concern basis, and are prepared and presented in United States Dollar (US\$) which was the Company's functional currency upto its listing on the AIM as well as that of its subsidiaries. Upon listing the functional currency of the Company was re-assessed as Pound Sterling and that of its subsidiaries continues to be US\$.

Previous period's amounts have been regrouped/ reclassified, wherever considered necessary to make them comparable with those of the current period.

4. SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 March 2009.

Change in accounting policy

Presentation of financial statements

The adoption of IAS 1 (Revised 2007) makes certain changes to the format and titles of the primary financial statements and to the presentation of some items within these statements. It also gives rise to additional disclosures. The measurement and recognition of the Group's assets, liabilities, income and expenses is unchanged. However, some items that were recognised directly in equity are now recognised in other comprehensive income. IAS 1 affects the presentation of owner changes in equity and introduces a 'Statement of comprehensive income'. Further, a 'Statement of changes in equity' is now presented as a primary statement.

5. ESTIMATES

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 March 2009.

6. INTANGIBLE ASSETS – EXPLORATION AND EVALUATION ASSETS

Intangible assets comprise of Exploration and Evaluation assets. Movement in Intangible assets was as under:

	Intangible assets – Exploration and Evaluation assets US\$
Balance at 1 April 2008	3,926,210
Additions	28,538,578
Balance as at 31 March 2009	32,464,788
Additions	16,649,045
Balance as at 30 September 2009	49,113,833

In accordance with the Group's accounting policy, no amortisation has been charged on the Exploration and Evaluation assets as the exploration, evaluation and appraisal activities in the Block have not concluded during the reported period.

As further elaborated in Note 7 below, subsequent to commercial discovery of gas in well SGL #1 and SGL #2 on 21 January 2008, amounts accumulated in Exploration and Evaluation assets up to such date have been transferred to development assets, in consistency with the full cost accounting method that the Group follows for such assets.

The above also includes borrowing costs capitalised of US\$ 1,946,414 (Previous year: US\$ 2,592,682). Cost incurred on exploration and evaluation activities subsequent to 21 January 2008 are classified under Exploration and Evaluation assets.

Indus has been successful in proving prospectivity of the block by declaring SGL # 1 and SGL # 2 as commercial discoveries and SSF as the other discovery in the Block and entire 4026 sq km area has been declared as a discovery area. ONGC in its capacity as the licensee of the block is obliged to pay the license fees in respect of the Block. Under the PSC, a period of 2.5 years is allowed to appraise the discoveries already made prior to the expiry of the exploration period and a 5 year period is allowed to declare discovery as commercial. Accordingly, the PSC permits evaluation/appraisal of the discoveries per the extension period above and till December 2013 to declare such discoveries as commercial.

7. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment comprise of the following:

Cost	Land	Extended well test equipment	Development Assets - Oil and Gas	Bunk Houses	Vehicles*	Other assets	Capital work-in-progress	Total
Balance as at 1 April 2008	34,204	255,675	46,221,326	955,842	295,028	364,824	55,188	48,182,087
Additions	-	117,569	-	326,495	239,432	97,166	1,167,232	1,947,894
Balance as at 31 March 2009	34,204	373,244	46,221,326	1,282,337	534,460	461,990	1,222,420	50,129,981
Additions	-	632,045	85,155	52,673	428,261	48,014	1,287,819	2,533,967
Disposals/ Transfers	-	-	-	-	-	-	547,276	547,276
Balance as at 30 September 2009	34,204	1,005,289	46,306,481	1,335,010	962,721	510,004	1,962,963	52,116,672
Accumulated Depreciation								
Balance at 1 April 2008	-	38,962	-	480,722	87,664	212,684	-	820,032
Depreciation for the year	-	24,832	-	209,304	54,140	79,330	-	367,606
Balance as at 31 March 2009	-	63,794	-	690,026	141,804	292,014	-	1,187,638
Depreciation for the period	-	20,724	-	110,877	92,663	38,042	-	262,306
Balance as at 30 September 2009	-	84,518	-	800,903	234,467	330,056	-	1,449,944
Carrying values								
At 31 March 2009	34,204	309,450	46,221,326	592,311	392,656	169,976	1,222,420	48,942,343
At 30 September 2009	34,204	920,771	46,306,481	534,107	728,254	179,948	1,962,963	50,666,728

*These vehicles have been secured against the finance leases as disclosed on the statements of financial position.

The balances above represent the Group's share in property, plant and equipment (i.e. 90 per cent of such assets). Since ONGC, has exercised the option to acquire a 30 per cent participating interest in the discovered field, accordingly the additions to development assets is at 63% only.

The depreciation in all reported periods has been included in the cost of Intangible assets – Exploration and Evaluation assets.

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No depreciation has been charged on the development assets in accordance with the Group's accounting policy as production is yet to commence on the field.

8. PAYABLE TO RELATED PARTIES

Related parties payable comprise of the following:

	30 September 2009	31 March 2009
Liability payable to Focus		
- <i>Current</i>	16,033,541	46,342,206
- <i>Other than Current</i>	49,855,568	-
Short term borrowings from iEnergiser Holding Limited	170,000	170,000
Other payables	324,878	197,018
	66,383,987	46,709,224

On 17 July 2009 the Group entered into an amendment to the Agreement for assignment of participating interest (hereinafter referred to as the Amendment No. 2) with Focus. As per Amendment No. 2, the Group agreed to pay US\$ 16 million to Focus not later than 31 March 2010, along with interest as applicable. Accordingly, the amount payable to Focus has been categorized into current and non current as above.

Short term borrowings from iEnergiser Holding Limited are interest free and repayable on demand. Other payables to related parties comprise of outstanding balances to associate entities and directors, all the amounts are short term. The carrying value of the amount payable to Focus classified as "Current", short term borrowings and other payables are considered to be a reasonable approximation of fair value.

9. FOREIGN EXCHANGE (LOSS)/ GAIN, NET

The Group has recognised the following in the Income Statement on account of foreign currency fluctuations:

	30 September 2009	30 September 2008
(Loss)/ Gain on restatement of foreign currency receivables in Indus	(1,748,543)	349,319
(Loss)/ Gain arising on settlement of foreign currency transactions and restatement of foreign currency balances arising out of Oil block operations	(115,622)	142,458
	(1,854,165)	491,777

10. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profits attributable to ordinary shareholders divided by the weighted average number of shares in issue during the period.

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Calculation of basic and diluted loss per share for period ending 30 September 2009 and 30 September 2008 are as follows:

	30 September 2009	30 September 2008
Loss attributable to shareholders of Indus Gas Limited, for basic and dilutive	2,285,255	593,438
Weighted average numbers shares outstanding during the period for basic and dilutive	182,913,924	172,557,138
Basic and Diluted loss per share (US\$)	<u>(0.01)</u>	<u>(0.00)*</u>

* Rounded off to Nil

11. RELATED PARTY TRANSACTIONS

The related parties for each of the entities in the Group have been summarised in the table below:

Nature of the relationship	Related Party's Name
I. Ultimate controlling party	Mr. Ajay Kalsi*
II. Entities directly or indirectly through one or more intermediaries, control, are controlled by, or are under common control with, the reported enterprises	Gynia Holdings Ltd. (Parent for <i>Indus Gas Limited</i>), Multi Asset Holdings Ltd. (<i>Ultimate Parent, Indus Gas Limited</i>) Gainway Holdings Ltd. (<i>100% subsidiary of Gynia Holdings Ltd.</i>) Focusoil Inc. (<i>Holds 26% shares in Indus Gas Limited and 100% subsidiary of Gynia Holdings Ltd.</i>) iEnergiser Holdings Limited (<i>100% subsidiary of Gynia Holdings Ltd.</i>)
III. Key management personnel ("KMP") and significant shareholders :	Mr. Ajay Kalsi - (<i>Ultimate Shareholder, Multi Asset Holdings Ltd.</i>) Directors: (<i>Indus Gas Limited</i>) Ajay Kalsi John Scott John Behar Marc Holtzman
IV. Other Enterprises over which KMP's are able to exercise significant influence	Each of entities listed in II, Reporting Entity and following group entities: Focus (<i>Joint operator of 10 per cent participating interest in the oil and gas operations</i>) Alliot Partellas Kiliaris Ltd - <i>Director Interest</i>

* Mr. Ajay Kalsi is the ultimate controlling party of the Group as he is the beneficial owner and a significant shareholder in each of the entities listed above.

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Disclosure of transactions between the Group and related parties and the outstanding balances is as under:

Transactions with parent and subsidiary companies

Particulars	30 September 2009 US\$	30 September 2008 US\$
<i>Transactions during the period</i>		
Loan to Gynia Holdings Limited	59,393	-
Loan from Gynia Holdings Limited	-	65,580
Expenses paid by Gynia Holdings Limited on behalf of the Company	580	145,200
Shares issued to Gynia Holdings Limited for 100% shares of iServices Investment Limited from Gainway Holdings Ltd. BVI and 100% shares of Newbury Oil Co. Limited from Focus Oil Inc. BVI (Subsidiaries of Gynia Holdings Limited)	-	3,320,856
Balances at the end of	30 September 2009 US\$	31 March 2009 US\$
Total receivables	59,393	2,544
Total payables	580	-

Above receivables and payables from related parties do not bear any interest and are repayable on demand. Hence, the management is of the view that fair values of such receivables and payable closely approximates their carrying values.

Transactions with KMP and entities over which KMP exercise significant control

Particulars	30 September 2009	30 September 2008
<i>Transactions during the period</i>		
Remuneration to KMP	108,500	234,954
Remittances to Focus for share of interest in the oil and gas operations of the Block	-	16,288,385
Total balance of net assets transferred during the period from Focus for the interest in the Block	19,513,362	64,813,790
Loan from iEnergiser Holding Limited	170,000	-
Amounts payable to Focus for expenses incurred on their behalf	33,542	6,565
Amounts due to Alliot Partellas Kiliaris Ltd for expenses paid on their behalf	5,929	-
Balances at the end of	30 September 2009	31 March 2009
Total receivables	-	-

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Particulars	30 September 2009	30 September 2008
Total payables	66,383,407	46,709,224

12. COMMITMENTS AND CONTINGENCIES

The contingencies and commitments of the Group as at 30 September 2009 are the same as those disclosed by the Group in its consolidated financial statements as at 31 March 2009 except for the changes due to foreign currency fluctuations.

The Group has not accrued a provision for the contingencies.

13. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended 31 March 2009.

In order to finance its operations the Group has obtained sanction letters from the international offices of its four Indian banks for an amount of US \$ 110 million debt facility. These funds will enable the Group to independently finance its share of the costs associated with the SGL field development, as well as provide additional funding for other activities on the RJON/ 6 Block in Rajasthan. The Group will soon start the legal documentation process, with the intention of making the first debt drawdown in December 2009/early 2010. The debt facility will be for a term maturing in 2018.