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Indus Gas Limited
16 December 2009

**For Immediate Release** **16 December 2009**

**Indus Gas Limited**
**("Indus" or "the Company")**

**Interim Results**

Indus Gas Limited (AIM: INDI.L), an oil and gas exploration and development company with assets in India, is pleased to report its interim results for the six month period ending 30 September 2009.

**Highlights:**

- On schedule to move into production & revenues in April 2010
- Current planned operations underpinned by existing funding
- Eastern Promise well provides positive initial testing results
- Fraccing of the Indian Shingli-1 well to commence before year end - providing information on the potentially significant tight gas play
- 3 wells currently planned (of a wider drilling programme for 2010) which has the potential to add significant additional value
- Debt facility of $110m in place

**Commenting, Marc Holtzman, Non-Executive Chairman, said:**
"Indus has continued to make solid progress over the last 6 months and we look forward to the remainder of the year with confidence. The Company remains on schedule to move into production and revenue in April next year and we have a work programme in place that has the potential to add further significant value. These operations are underpinned by a combination of the new $110m debt facility, existing cash resources and planned revenues".

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## Chairman's Statement

### Introduction:

In the first half of the year, Indus Gas has continued to make solid progress as planned. The Company remains on schedule to achieve first gas production and revenues in April next year, drilling and other operations are making good progress and, with the debt facility now in place, current planned activities are well funded.

### Operations Update:

Further to the successful discovery wells on the SGL field, the Company's current drilling strategy is based on delineating the block in order to assess the hydrocarbon potential within each area.

The current focus of the drilling campaign is to assess the western side of the Block, which lies nearest the Pakistan border, where very significant hydrocarbons have been found and where the geology is similar. The western side is also where hydrocarbon finds on the Block have to date been most prevalent.

As previously outlined, this strategy has also been influenced by the terms of the PSC, under which there is an incentive to delay infill wells aimed at clarifying known discoveries, in order to first explore new areas of the Block. The appraisal period on the Block currently expires in June 2011, with a possible extension to 2013. The block covers 4026 km², which is the equivalent to approximately 20 North Sea Blocks, and as such offers very significant additional potential.

During the period and as announced on 18th August 2009, the operator, Focus Energy, completed the initial phase of drilling on the Eastern Promise well, located in the south west part of the Block, approximately 16.8km south of the SGL discovery well. This well encountered a potentially significant gas bearing interval at a depth of between 3,175 and 3,183 meters in the Early Cretaceous Pariwar formation. During initial testing of this zone, gas flared continuously for 4 hours.

Drilling on the Eastern Promise well is continuing towards target depth within the Baisaskhi/Bedesir (B&B) formation, with the aim of further assessing the potential of this tight gas play within the block. The well is currently at a depth of 4,265m.

Drilling on the Indian Shingli-1 well was completed in May 2009, reaching a depth of approximately 5,351m and having intersected a 650m interval in the B&B sequence. This was the Company's first well aimed at specifically assessing the B&B formation.

Schlumberger has been contracted to frac simulate the Indian Shingli-1 well. Fracturing was initially scheduled for September this year but had to be postponed due to the lack of availability of certain equipment. This equipment is now on location and the Company expects fraccing to commence before the year end. Fracturing of this well is important as it will give the first true indication of the potential of the B&B sequence, although additional wells would be required to get a full and complete understanding.

Currently 3 appraisal wells are planned for next year; Tirath-1, Sandwich and Southern Comfort. All three of these wells are aimed at targeting and assessing the shallower Pariwar formation and also the B&B sequence. These 3 wells are part of a wider drilling programme intended on the Block in 2010.

Tirath-1 is located in the north west of the block, Sandwich is located in the central portion of the block and Southern Comfort will be drilled in the far south west corner of the block. The operator currently has four rigs employed on the block. One rig is currently drilling the Eastern Promise well, a further rig is on location at the Indian Shingli-1 well for the planned fraccing and the remaining two rigs are on the Tirath-1 and Sandwich well sites, both of which the Company intends to spud in early 2010. One of the rigs currently on location at either Eastern Promise or Indian Shingli-1 will be moved to drill Southern Comfort. The Company plans to spud Southern Comfort by early/mid 2010.

The SGL project remains on schedule for first production and revenues in April next year under the take or pay agreement with the Gas Authority of India Limited (GAIL), signed during the period and announced on 20 April 2009. Under this Agreement, initial production will be at a rate of 7 MMscfd, building to 33.5 MMscfd in Q2 2011.

The off take pipeline from the SGL field is GAIL's responsibility. The pipeline has the potential to carry between 40-100 MMscfd (depending on gas compression factor) and, as such, has the capacity to allow production to increase further. As required under the Agreement, GAIL has commenced pipeline construction, which is scheduled to complete in early 2010.

The Director General of Hydrocarbons (India) (DGH) has confirmed the recoverable reserves on the SGL Field of 246 bcf and its production profile for the supply of a minimum of 33.5 MMscfd of gas for 12 years. The total sales value to the Company over the life of the SGL Field is expected to be over $600m.

Engineering and consultancy company, MECON has been appointed to act as consulting engineer on the development of the SGL project. The State Government has allocated the land required for the Gas Gathering Station (GGS) and the initial phase of putting the infrastructure in place needed for first production to commence as planned is progressing well.

Ahead of increasing production to 33.5 MMscfd by Q2 2011, the operator, Focus Energy, is required to process the gas, including removing the excess $CO_2$. The building of the facility to remove the $CO_2$ is on schedule as planned, with the design proposed by MECON under final review. The ordering of the equipment for this facility will take place by mid 2010 to allow installation before early 2011.

The Field Development Plan for the SGL field received approval from the DGH and the management committee in March 2009. The plan allows for 14 producing wells on the field. Currently, 2 production wells have been drilled, which are being completed, and will satisfy the initial 7 MMscfd required. The balance of the wells will be drilled and put into production over the 20 year life of the SGL Field.

**Financials:**

The Company remains in a strong financial position, with cash of approximately £14m as at the period end and a debt facility of $110m in place. Combined with revenues from SGL field production, these monies and facilities provide sufficient funding for all of the Company's current planned drilling, completion and development activities.

Post the period end, Indus received approval for a debt facility totalling $110m of unrestricted cash from the international offices of four Indian banks. In total, Indus received commitments for debt totalling $137.5m. The facility will be used to finance the development of the SGL Field as well as provide additional funding for other activities on the block.

During the first half, total exploration expenditure amounted to $16.6m.

**Outlook:**

We look forward to the remainder of the year with confidence. The drilling programme in place has the potential to add significant additional value and we look forward to the results of the fracturing of the B&B sequence in the India Shingli-1 well with interest. At the end of the first quarter next year, we can also expect the Company to move into first production and revenues, which along with its current strong funding position, underpins current planned operations.

In accordance with AIM Guidelines, Paul Fink, Technical Consultant, a Geophysicist who holds an engineering degree from the Mining University of Leoben, Austria and has 19 years of industry experience is the qualified person that has reviewed the technical information contained in this release.

# Indus Gas Limited and its subsidiaries

Unaudited Condensed Consolidated Interim Financial Statements prepared in accordance with IFRS

Six months ended 30 September 2009

# Contents

# 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

| | Notes | 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** | | | |
| *Basic* | **10** | *(0.01)* | *(0.00)** |
| *Diluted* | | *(0.01)* | *(0.00)** |
| *Par value of each share* | 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$ | US$ | US$ | | US$ | US$ |
| **Balance as at 1 April 2008** *(After incorporating merger adjustment)* | **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 *IAS 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.

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 | | |
| - *Current* | 16,033,541 | 46,342,206 |
| - *Other than Current* | 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.

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$) | (0.01) | (0.00)* |

* 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 *Indus Gas Limited*), Multi Asset Holdings Ltd. *(Ultimate Parent, Indus Gas Limited)*<br><br>Gainway Holdings Ltd. *(100% subsidiary of Gynia Holdings Ltd.)*<br>Focusoil Inc. *(Holds 26% shares in Indus Gas Limited and 100% subsidiary of Gynia Holdings Ltd.)*<br>iEnergiser Holdings Limited *(100% subsidiary of Gynia Holdings Ltd.)* |
| **III. Key management personnel ("KMP") and significant shareholders :** | Mr. Ajay Kalsi - *(Ultimate Shareholder, Multi Asset Holdings Ltd.)*<br>Directors: *(Indus Gas Limited)*<br>Ajay Kalsi<br>John Scott<br>John Behar<br>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:<br>Focus (*Joint operator of 10 per cent participating interest in the oil and gas operations)*<br>Alliot Partellas Kiliaris Ltd - *Director Interest* |

* 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.

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$ |
|---|---|---|
| *Transactions during the period* | | |
| 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 |
|---|---|---|
| *Transactions during the period* | | |
| 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 | - | - |

| 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.