

# OPERATIONS UPDATE and FINANCIAL REPORT

For the Quarter Ended 30 September 2011

## Highlights

- Shareholders of RAK Petroleum and DNO International approve merger slated to close early 2012
- Record third quarter profit of AED 91.8 million includes AED 58.7 million contribution from DNO International
- RAK Gas exercises option for 30 percent stake in Saleh block, offshore Ras Al Khaimah



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RAK PETROLEUM

## Operations Update

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### • *Sultanate of Oman*

Offshore Block 8, average daily production during the third quarter was 8,144 barrels of oil and condensate, 35.4 million cubic feet of gas and 620 barrels of LPG. Drilling of two development wells in West Bukha field and one in Bukha field is expected to start in November.

RAK Petroleum and partner Repsol Exploration, SA extended the license for Block 47 onshore for an additional year to complete further studies.

At Block 31 onshore, Wadi Jiffra well was spud in August and reached total depth of 3,250 metres with gas indications while drilling. The well was temporarily suspended pending approvals for use of oil-based mud to potentially drill a sidetrack to access updip potential.

### • *Ras Al Khaimah, UAE*

Deepening and testing of the Saleh-5 well commenced in June. Following difficulties in controlling mud losses in depleted zones above the target depth, the well was temporarily suspended. RAK Gas LLC exercised its back-in right for 30 percent of the block by agreeing to pay its prorata share of past and future costs.

Onshore Ras Al Khaimah, a preliminary analysis of 250 kilometers of new 2-D seismic data confirms the presence of prospects and leads. The primary license term has been extended for two years.

### • *Tunisia*

Acquisition of 3-D seismic data over the Kasserine and Tazerka North prospects within the Hammamet Block was completed and data interpretation is in progress.

## Associated Company: DNO International ASA

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In early November, shareholders of DNO International ASA ([www.dno.no](http://www.dno.no)) and RAK Petroleum PCL ([www.rakpetroleum.ae](http://www.rakpetroleum.ae)) voted in favor of a proposed merger under which RAK Petroleum's oil and gas operating subsidiaries will be acquired by the Norwegian-based oil and gas company in exchange for shares. The transaction values RAK Petroleum's subsidiaries at USD 250 million and DNO International at USD 1.64 billion, corresponding to NOK 9.50 per share. The companies expect closing in early 2012 followed later in the year by a dual listing of the enlarged company in London in addition to the current Oslo listing.

On completion of the merger, RAK Petroleum will become an energy investment holding company with a 42.8 percent stake in DNO International. RAK Petroleum will operate out of offices in Ras Al Khaimah and Dubai.

DNO International, in which RAK Petroleum currently holds a 30 percent shareholding, has its principal producing properties in the Kurdistan Region of Iraq and Yemen. Highlights of DNO International's third quarter 2011 operations:

### • *Kurdistan Region, Iraq*

During the quarter, working interest oil production averaged 32,334 barrels per day from the Tawke field which DNO International operates with a 55 percent interest.

Five tests on the Summail-1 exploration well on the Dohuk license have been completed in the Triassic and Jurassic reservoirs without flowing hydrocarbons. Further tests of the Jurassic and Cretaceous zones are ongoing.

### • *Yemen*

Yemen working interest oil production was marginally lower at 4,439 barrels per day due to temporary shutting in of three wells due to failure of downhole pumps. The wells are expected back on production in the coming weeks.

### • *Tunisia*

In October, an agreement was signed with the Government for the Fkirine license covering an initial two year exploration term.

## Financial Results and Statements

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RAK Petroleum posted net positive operating results of AED 33.1 million in the third quarter, compared to AED 20 million for the same period in 2010, excluding associated company results.

Third quarter sales comprised 578,096 barrels of oil and condensate, 2.7 billion cubic feet of gas and 56,723 barrels of LPG. The average realized oil price was USD 110 per barrel.

Under accounting rule IAS 28, RAK Petroleum's 30 percent stake in DNO International is treated as an investment in an associate and equity accounted.

Taking into account the Company's share of DNO International's results for the quarter (net profit of AED 58.7 million), RAK Petroleum's net profit during the quarter reached a record AED 91.8 million.

Total equity at the end of the third quarter stood at AED 2,564.5 million compared to AED 2,420 million at the end of 2010.

## Consolidated Income Statement

(Unaudited)	<i>Jan – Sep 2011</i> <i>AED '000</i>	<i>FY 2010</i> <i>AED '000</i>
Revenue	<b>289,147</b>	399,293
Cost of sales	<b>(65,380)</b>	(240,349)
<b>GROSS PROFIT</b>	<b>223,767</b>	158,944
Exploration costs written off	<b>(29,199)</b>	(32,394)
General and administrative expenses	<b>(19,254)</b>	(29,911)
Net finance income	<b>4,744</b>	20,870
Share of profit/(loss) of an associate	<b>89,299</b>	(40,664)
Other income	<b>10,505</b>	1,260
Provisions for impairment	–	12,543
<b>PROFIT/(LOSS) BEFORE TAX</b>	<b>279,862</b>	90,648
Income tax expense	<b>(133,774)</b>	(34,355)
<b>NET PROFIT</b>	<b>148,088</b>	56,293

## Consolidated Statement of Financial Position

(Unaudited)	<i>30 Sep 2011</i> <i>AED '000</i>	<i>31 Dec 2010</i> <i>AED '000</i>
<b>ASSETS</b>		
Intangible assets	<b>552,427</b>	430,776
Property, plant and equipment	<b>494,051</b>	382,613
Investment in associate	<b>1,258,168</b>	1,164,340
Investment in available-for-sale financial assets	–	72,083
<b>Non-Current Assets</b>	<b>2,304,646</b>	2,049,812
Inventories, receivables and prepayments	<b>122,008</b>	118,023
Bank balances and cash	<b>293,684</b>	363,751
<b>Current Assets</b>	<b>415,692</b>	481,774
<b>TOTAL ASSETS</b>	<b>2,720,338</b>	2,531,586
<b>EQUITY AND LIABILITIES</b>		
Share capital and reserves	<b>3,050,124</b>	3,050,124
Convertible loan – equity component	–	1,956
Treasury shares	<b>(6,916)</b>	(6,916)
Foreign currency translation reserve	<b>(8,396)</b>	(8,396)
Accumulated profit/(loss)	<b>(470,354)</b>	(616,443)
<b>Total Equity</b>	<b>2,564,458</b>	2,420,325
Employees' end of service benefits	<b>5,410</b>	4,104
Convertible loan – liability component	–	34,794
Accounts payable and accruals	<b>150,470</b>	72,363
<b>Total Liabilities</b>	<b>155,880</b>	111,261
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>2,720,338</b>	2,531,586

## Investor Relations

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