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| **Company:** | **Dragon Oil plc** |
| **Presenters:** | **Dr Abdul Jaleel Al Khalifa, CEO** |
| | **Emad Buhulaigah, General Manager of Petroleum Development** |
| | **Tarun Ohri, Director of Finance** |
| **Conference call:** | **Full-Year 2010 Results** |
| **Date:** | **Tuesday, 22 February 2011, 9.30am GMT** |

**Dr Abdul Jaleel Al Khalifa**: Good morning, ladies and gentlemen, and welcome to Dragon Oil Full-Year Results for 2010. I'd like to welcome people in the room here as well as people on the conference call. With me today is Emad Buhulaigah, the General Manager of Petroleum Development, the General Manager of Operations; and Tarun Ohri, who is the Director of Finance. Also in the audience is Hussain Al Alaiwy, who is the Director of Human Resources at Dragon Oil. Myself is Jaleel Al Khalifa, I'm the CEO of Dragon Oil.

It's time to share with you the results of 2010, and it has been an impressive year in terms of revenues, in terms of profits, in terms of production rates, exit production rates, in terms of projects completed so far. I don't want to steal the thrust of the presentation so I'm going to take over my part then I'll hand it over to Emad to cover the operations and to Tarun to cover the financial part and then I'll come after that to review the outlook and to take your questions and comments at the end of the presentation.

Talking about an overview of Dragon Oil, I think 2010 has seen a strong oil price, which continued to be better towards the end of the year, and we're seeing even higher prices as we speak today. In terms of the Company performance, both the operation and the financial side has been very good and we're going to share with you the details of this through the course of the presentation. We continue to invest heavily in the infrastructure, hoping that we set the floor for higher and solid production growth in the years to come.

And in terms of acquisition, we continue to work hard. We have widened our scope to include West Africa as well as targets with exploration upside, which did not use to be of interest in the past, and I'm glad to tell you that our team is diligently reviewing assets as we speak. Now these things can only be announced when things are secured and happen for sure, but I can tell you that through 2010 we had reviewed assets and assets and assets, a lot of them, and those interested always ask the question, "Are you negotiating now?" and my answer is simply I cannot comment on that. But you know, any time it can click and any time I'll be happy to jump off and announce it to the market.

On gas monetisation, while the project is almost completed, while gas is almost delivered onshore, still remaining is the Gas Treatment Plant project, which would happen over the course of the coming two years but wet gas is available and we're waiting for the Turkmen counterparties to finish the compressor station and parts of the interconnecting pipeline to deliver the gas to the system. Now with regard to the gas sales agreement, we continue to negotiate with them. There's nothing yet firm to share with the market.

I'm glad to report that the Board has recommended payment of a dividend of 14 US cents for 2010, which will be actually paid on the 27th May after the approval by the shareholders at the AGM. We had always told the market that the Board is considering a dividend in the past, and I'm glad to tell you today that the decision has been made.

Now the profit has increased by 49% as compared to 2009, which is a remarkable increase. Production rate — I know our shareholders had been kind enough to bear with us through 2010 when we experienced bottlenecks and the networks constraints — we could only increase the production by 5.5% in 2010. However, as we promised in the past, when the projects were completed: the pipeline was completed, the processing facility was completed, production jumped by 10,000 barrels of oil per day towards the end of the year to 57,000 barrels of oil per day. I'm glad to report here that January average rate was also 57,000 barrels of oil per day so it's not a flash one-day production. This is a very strong, solid performance for January and it sets the grounds for a potential good growth in 2011. We completed 11 wells in 2010. We finished the trunk line and the in-field pipelines and the processing facility, which are great accomplishments in the history of Dragon Oil. There's a lot of contracts awarded and being worked on, including the Block 1, including Lam C, Zhdanov A, 100-tonne crane vessel, drilling upgrades. These are major, major projects worth a huge sum of money that are being worked on and hopefully will be completed, majority of them this year in 2011 and first quarter 2012. What is coming in the pipe is not less impressive; indeed, it is equally important, which is maybe two more platforms, other things to come, pipelines, which are also essential to ensure this growth in production continues for years to come.

Marketing arrangement is secure for 2011, as you know, through Baku-Tbilisi-Ceyhan pipeline. However, because of the increase in production rate, there is always a potential option to go with this additional production gain into a secondary route, which we're always investigating to find what is commercially more viable and which is more optimal long term for Dragon Oil.

We continue to look at our reserve numbers, and I'm glad to report that this year, reserve numbers had increased for oil and condensate to 639 million barrels, and this additional gain in oil reserve is because of additional appraisal drilling that we did, the 11 wells, as well as the additional condensate that comes out of the 1.6 trillion cubic feet ("TCF") of gas, which had been certified to be a reserve now instead of a resource in the past. And the reason is oil development facilities are there and we have good expectations of a sales agreement within a reasonable future.

We're pleased to retain 1.4 TCF of gas as a resource, and this is potentially convertible to a reserve in the future as we increase our production rate of gas in the future and as we double the size of the Gas Treatment Plant. So that is something for the future, additional reserve that is available in our block.

Now historically, cash that we generate had been reinvested into the asset, and we continue to do that. We continue to add some cash to our balance sheet in anticipation of acquisitions that will come hopefully one day, but I'm glad to say that the dividend is also being considered and being implemented this year, so that's an additional way of returning some value to the shareholders. This 14 US cents per share this year, 2010, is going to be reviewed in the future by the Board in light of the cash flow in future years, in light of acquisitions potential and in light of maximising return to the shareholders.

In terms of marketing, and I know this is very critical to our long-term strategy in Dragon Oil, though we had secured this safe and commercially viable route, the Western route, which is Baku-Tbilisi-Ceyhan, the discount of 10%-15% is not as impressive as it was for the second route via Neka, Iran. However, due to considerations of what happened in 2010 and due to the expiry of the swap agreement and due to Iran halting all the swap trade through Iran at that time, we had to take this route, and I'm glad to say that this is among the best discounts available in the Caspian, if not the best you know. Now, we continue to work hard for 2012 and future years and this is why we continue to look at secondary routes to help us on a commercial basis, to help us in making flexibility available and to help us in future negotiation with different marketing options that we have.

I will turn it over here to Emad to cover the operations of Dragon Oil.

**Emad Buhulaigah**: Thanks. Good morning, ladies and gentlemen, my name is Emad Buhulaigah, I'm the General Manager, Petroleum Development in Dragon Oil. I'm pleased to take you through a summary of our operations, drilling and infrastructure, and corporate social responsibility.

Starting with operations, as Jaleel mentioned, during 2010 we averaged production of 47,211 barrels of oil per day, which is 5.5% over 2009. That was constrained by infrastructure bottlenecks, which have been removed following the switch over to the integrated network, which includes the 30-inch trunkline and some associated in-field pipelines, and also commissioning of our CPF Phase 2 expansion, which has a capacity of processing 100,000 barrels of fluids per day. So for 2010, exit rate was up following the commissioning of the integrated network by 14.7% over 2009 level, which is 57,013 barrels of oil per day, and we had a stable production through December and January, which averaged over 57,000 barrels of oil per day. So we are targeting strong growth in 2011.

Talking about drilling and infrastructure, during 2010 we completed 11 wells, one of them during the first week of this year, and we have done some workovers with potential gains of 2,400 barrels of oil per day. Eleven wells are planned for this year, using the Iran Khazar rig, the NIS land rig and Rig 40, which is owned by Dragon Oil. And we will continue with the workover programme throughout this year.

As to the drilling details, we have nine producing platforms currently; a third new platform, which is Lam C, is expected in Q4 this year; we have 51 new producing wells and we have 20 old — you know, drilled during the Russian period — wells that are still producing. And in Zhdanov, we have three producing platforms and we are building the first new platform in our era, which is Zhdanov A, expected in Q1 2012. We have four oil wells that are still producing and we are planning to drill an appraisal well in 2012.

On infrastructure, as we mentioned, we have completed 30-inch 40km trunk line that connects Block 2 offshore to our Central Processing Facility. We have also completed three associated in-field pipelines in Lam West and also we completed the Phase 2 expansion of the Central Processing Facility. A significant value of infrastructure projects was contracted and awarded last year, which includes Lam C platform, which is a jack-up type platform; Zhdanov A platform, which is a land rig type platform with accommodation facilities. We are building also Lam Block 1, which is a gathering station, and we are building also a new 100-tonne floating crane vessel, and there are some upgrades in three Lam platforms and two Zhdanov platforms to add additional slots for drilling. And also, as mentioned in our press release, we have a contract with Yantai Raffles, a Chinese company, to build a jack-up, Super M2 jack-up for us specifically, with a contract of five years plus two.

Moving into corporate social responsibility, we care about people, both the locals and expats, and for that reason we have built a professional training centre in Hazar, which is in the centre of our operations in Turkmenistan. That is to accommodate professional training courses and internships. Those programmes are targeted for high-potential employees, both local and expatriate, with focus on local and we have instituted Employee of the Month programme, which rewards our best performers in the field. And as I mentioned, we have this Centre of Excellence to do all this on-the-ground training and courses.

We have been engaged with the community through a number of programmes, including health and education-related projects, and we are planning to build a $3 million polyclinic in Hazar. We continue to operate the water desalination plant in Hazar and supply the community there with fresh water, and we are in the process of donating neo-natal equipment to Hazar Hospital, and we will continue to refurbish schools and gyms in that community.

On health, safety and environment, we continue to do assessment of our health/safety risks associated with our production and drilling operations and we have extensive training programme for our people on safety, and we conduct regular emergency drills.

As you know, through the construction of our 30-inch trunkline, we managed to transfer the gas flared offshore to onshore and it's going to be delivered to the Turkmen gas network hopefully in two months' time.

Moving into financials, I'll turn it over to Tarun. Thank you.

**Tarun Ohri**: Good morning, everybody. On behalf of Dragon Oil and my colleagues here, I welcome you to the financial section of our presentation. So 2010 has been a year of strong financial results on the back of healthy operational performance as well as the crude oil prices. The crude oil prices in 2010 averaged around $80 a barrel, and we expect this strong trend to continue in 2011 as well. As my colleagues have discussed before me, with the bottlenecks behind us, we've unlocked the production potential and this provides a strong base for future sustainable production growth and that is the underlying story behind our growth in revenue beyond 2010.

So in 2010, our revenue was up 25%. The operating profit, net profit and the earnings per share have grown by over 50%. Dividend per share was 14 US cents, as we've discussed, the Board introduced a dividend policy, which we will discuss later on, I'm sure you've got lots of questions on that.

The capital employed grew by 23%, and that's represented mainly by net assets. There was a growth in infrastructure facilities. Our net assets grew, as well as our cash balance, which is reflected in increasing capital employed. Our net operating cash from operations was up 20% and we've been able to maintain a strong cash balance. As a result, the growth has remained, in terms of cash balance, we've been able to generate over US$0.5 billion of cash in 2009 and close to US$0.6 billion in cash in 2010. And this cash generated from operating activities is primarily used in investing in the Cheleken Contract Area. The cash used in investing activities is mainly in infrastructure as well as other activities. This number includes a reinvestment into fixed deposits and term deposits, that's US$721 million. Our cash balance has grown by around US$200 million as a result of cash generated net of our investing activities. We've been maintaining our unleveraged position and our debt is zero at this point in time but having said that, we are well placed to raise debt, should we require, for acquisition or any other requirements should it arise, because there is sufficient liquidity in the market and we believe that we would be able to raise debt if required.

Turning over to the income statement, our revenue is up 25%, which is a result of a 17% increase in crude oil prices. The crude oil prices averaged around US$80 a barrel. Our netbacks, our realised prices were US$72, which are at a 9% discount, whereas in the previous year, in 2009 the Brent prices were around US$62.

Our cost of sales has improved by 6%. The prime component in the cost of sales is a depletion charge and because of the fact of recognising and booking gas reserves, we've been able to flow and cascade the impact of that in our financials. Included in the cost of sales is the field operating cost, and we've been able to maintain the field operating cost at around US$4 a barrel. There are impacts of inflation but we expect the field operating cost to range between US$5 to an increase by about 5% as the impact of either rising crude oil prices or the impact of inflation in the country. Our administrative expenses have stayed around the same level as previous years, which mainly included corporate costs and other one-off charges. Our finance income this year was US$27 million; previously it was US$30 million in 2009. This reflects the falling interest rates, which are expected to weaken in future as well. So in 2011, we expect interest rates to fall before I suppose they rise back again at some time. Our income tax expense is US$128 million. This is a result of a combination of current tax charge as well as a release of deferred tax charge for the year. And on this note I'd like to mention that we pay tax at 25% and Turkmenistan offers us a stable tax regime and the tax rate is defined in our Production Sharing Agreement. So that's the rate we use in our financial statements. Our net profit is up, as a result of a combination of all these factors we've discussed above, by 49%.

Turning over to cash flow, our opening cash was US$1.1 billion. Cash generated by operations was US$595 million. This included a tax charge from the previous year paid in 2010. We had US$27 million in interest income. We invested US$460 million in infrastructure programmes and the cash spend on that infrastructure was US$424 million, and that resulted in a closing balance of US$1.3 billion, of which around US$170 million is money set aside for abandonment and decommissioning activities, which is not part of our free cash flow.

And as a general note, we've got a bullet point in the presentation, which says that cash is maintained in international banks that have headquarters either in the UK or in the

UAE, so we maintain majority of our cash balance with banks who are rated A+ as per Moody's.

Going over to the balance sheet for 2010, it shows a strong balance sheet and that's the basis on which the Board agreed to introduce or approve the dividend policy going forward, which would mean that we can sustain dividend policy along with acquisitions, as well as aggressive development in the Cheleken Contract Area.  So the oil and gas assets have grown by around US$260 million, net of depletion charge, and currently they are at US$1.2 billion.  Inventories, trade and other receivables are US$145 million. We have changed the trade rules.  Our receivables, 100% of our receivables are collected after the year-end, so that seems to be working well, and our inventories for crude oil are minimum because of the methodology or the process we apply, we sell all our crude oil FOB our Aladja Jetty.  Our cash and term deposits we've discussed, are US$1.3 billion.  Our non-current liabilities of US$83 million basically represent deferred tax liabilities, which will be unwound as a charge as we go forward.  Our current liabilities of US$482 million as compared to US$355 million in 2009, it's a number, which includes abandonment and decommissioning fund and tax liability charge along with payables representing a lot of projects, which were completed just around the year-end, and we expect payments to unwind in the first quarter this year.

On capital expenditure, we've spent about US$460 million, which is one of the largest or highest capital expenditures on infrastructure and drilling operations in Dragon Oil in the last few years, and 45% of which was spent on drilling operations, eleven wells being completed, and on infrastructure it was about 55%, which included mainly platforms, land rig Zhdanov A platform, other platform upgrades including the trunkline, in-field pipelines and the Central Processing Facility as well.  So there's a huge amount of key infrastructure projects, which were completed and were ongoing as of the balance sheet date.

With that I'll hand it over to Jaleel for the outlook for the future years.

**Dr Abdul Jaleel Al Khalifa**: Thank you, Tarun.  Considering the company in the future, I just want to emphasise that this is a steady-growth company that has historical performance of 10+ years, that has completed major projects that set it up for a potential growth for the coming number of years.  It has a strong balance sheet, a change of policy on the dividend and continuous critical look at potential assets acquisitions that are justified on technical and commercial basis.

This is where we are, and just to firm up our outlook for the coming few years with a lot more details in 2011, I would like to say that 2011 will see eleven wells to be drilled, distributed in Q1, 2, 3 and 4, and I show you here where they would be drilled and which platforms, and basically for 2011-13 as a whole period, we're going to drill up to 40 wells, including a few appraisal wells out of the 40, there're specifically 11 wells to be completed in 2011. Now with infrastructure, we said this integrated tie-in platform Block 1 would be completed quite soon, in Q2-Q3 2011, Lam C towards the end of the year, and Zhdanov A in early quarter of 2012.

Now the spending on the projects over the three years is between US$600-$700 million. That excellent performance in 2010 testified to our success in infrastructure upgrades in the sense that it had been a growth period in terms of capex on infrastructure and considering where we are today with the progress of the ongoing projects, we firmly believe that this potential spending would materialise over the coming three years. Now production, it's always nice to be humble even though we started with 57,000 barrels of oil per day in January, but we still maintain a 10%-15% growth on average per year over the coming three years. Now, as we come back towards the third quarter of this year, by then we would have a better guidance as to the 2011 performance because we would have seen at that stage almost half of 2011 behind us.

Now in terms of gas development and monetisation, facilities are there already, except for the Turkmen part, which is going to happen in the first half of this year. The field is already completed. However, what we are doing right now, we are going back to the Front End Engineering Design study of the Gas Treatment Plant. We're trying to optimise it or trying to basically do an optimal size of Gas Treatment Plant that would have better commerciality and obviously, as you could tell, once you have 2,000-3,000 barrels of condensate over a number of years, that's definitely proven to be commercial. We're just adding more commerciality through a better optimisation of the cost.

Diversification, again, as I told you before, we continue to work hard in this and we have widened the scope so we can seek better assets and we can basically catch better fish, you know, and this is where we are.

On dividends, approval of AGM in May will hopefully be secured and then this 2010 dividend will be distributed at that stage. Future years will be divided into two payments, one for the interim and the second one is at the end of the year.

Ladies and gentlemen, it has been a pleasure reviewing with you the performance of 2010 and I'll be happy to take any questions from the floor or via the conference call. Yes, start please.

**Scott Darling, Nomura**: It's Scott Darling here from Nomura. Just two quick questions. What was the sort of rationale behind the payout level for the dividend? Do you think this is sustainable, i.e. will you be able to pay some dividend over sort of there-five year view? I appreciate things change with oil prices, you may make acquisitions, etc. That's the first question. The next question is you've stated with your acquisition targets, you know, partly Middle East and North Africa region…

**Dr Abdul Jaleel Al Khalifa**: And West Africa as well.

**Scott Darling, Nomura**: And West Africa. Now obviously we're seeing some very sad events in North Africa and over the Middle East region in general. You know, is this still a region you want to invest in at this period of what's going on in the North Africa and Middle East region? Thanks.

**Dr Abdul Jaleel Al Khalifa**: Thank you, Scott. Let me review the dividends policy. If you look at our policy that we had shared with the market, we purposely did not say growing dividends, we did not say sustainable dividends. We tried to maintain some flexibility at the Board level, which will be reviewed year-on-year basis. But considering, if we may just reflect quickly, this year average production was 47,000 barrels of oil per day at a realised price of US$72. Yes. If you look briefly at 2011, our average would be at a much higher production rate. Our realised price hopefully will be higher than US $72. So the cash flow in 2011 will be better than in 2010 as far as we see. In terms of acquisition, the dividends that we are paying out right now will not hurt our cash flow, so it would leave lots of cash available for future acquisitions. And considering our cash balance today, we're at a very strong position; also considering that we can finance any future diversification as well. So I don't see it competing with acquisitions. I see Dragon Oil in the future getting into both dividends payments to the shareholders as well as being in a position of growth, and this is honestly where we see the company going in the future. Now we had delivered on our promise to pay dividends, and we're working hard to deliver on the promise on the acquisition side.

Now considering the future of diversifications and acquisitions, you know, things change with time but look, there are times that you have to make a strategic move with the information you have at the time. Now, I can assure you we're looking at different prospects in the region and I can maybe tell you right now, none of them exist in countries of major turbulence today. This is just to reassure our shareholders. However, you know, even our shareholders would call on the Management and the Board to make best judgement at the time and this is what we promise to deliver on. So we will not jump into countries of unstable situations but at the same time, we will not shy away of commercially viable opportunities in other countries.

**Gerry Hennigan, Goodbody Stockbrokers**: Gerry Hennigan, Goodbody Stockbrokers. Jaleel, maybe you can comment on the scope for new marketing routes. Would there be a possibility that maybe the Iranian route might open up again or is that pretty much closed at this point in time? Two, with regard to your ability to strip condensate from the gas. When do you expect to be in a position to do that, and three, with regard to diversification, have your criteria in terms of price range actually shifted recently or are you finding it difficult to get acquisitions that fit your evaluation criteria?

**Dr Abdul Jaleel Al Khalifa**: Okay, sure. Thank you, sir. I think the first question was on marketing routes. The Iranian swap contract expired in March 2010. We extended it for another three months. By then, around June/July last year, it was officially stopped because of logistical and other issues which you're aware of. Now that route is always available if you are comfortable with taking the decision to go there, at a certain commercial value, which is negotiable, and a certain logistical payment and other issues that you have to handle. So the management don't close that route and we don't want to close it for the future. We'll keep it amongst other routes available, but we are always looking at whether we can do it, whether it pays out, whether it helps in the negotiation with other marketing routes and considering pros and cons of that route, we'll make a decision at that stage. But in short, that route is not closed for good; it is always available at any point in time, considering you are able to make those decisions.

Okay, with regards to stripping condensate, we feel that with this review of the field output that we got, we have two options — whether we embark on the Gas Treatment Plant the way it is designed now according to the Front End Engineering Design study, where you may be able to strip more condensate but for a very expensive cost; or maybe optimally, you can strip 80%-85% of the condensate for much less cost in a quicker time. And this is where we are heading. We are not yet certain as to how much condensate we'll strip, at what cost and at what time, but we think two years up to 2013 is the right time to consider that we'll be able to do that at that stage.

The scope of diversification, I think the third one is we have widened the scope in the sense that West Africa is definitely a great market, as you could tell, and there is a lot of diversification happening there and basically IOC is trying to dispense some of their old assets. I might even say today that East Africa with the exploration upside is definitely a good target. So we continually look at our areas of interest and we feel that Africa, not only North but rather West and East, could be part of this. Now with regard to exploration upside, we feel we have the talent and we can always acquire the talent to get into exploration potential of prospective areas with a good upside. So this is where we had expanded our portfolio of interest.

**Gerry Hennigan, Goodbody Stockbrokers**: But in terms of the price that you're willing to pay for those assets?

**Dr Abdul Jaleel Al Khalifa**: With regard to price, we don't want to put a cap on the price. I think one thing you could easily see is that at 639 barrels of reserves assets today, we may not be interested in additional 10 or 15 million barrels but we've always said that anything in the range of 50-100 million plus/less is a material acquisition target for us.

**Vugar Aliyev, Matrix Corporate Capital**: Vugar Aliyev, Matrix Group, just a couple of questions on export routes if I may. First, as an operator, are you responsible for exporting gross production from Cheleken or do you export just your entitlement? And secondly, with growing production — 57,000 barrels of oil per day now, hopefully we'll be heading towards 60,000 barrels of oil per day during the year — what's the maximum capacity or what's the maximum limit you can sell to SOCAR via BTC? And thirdly, assuming 100% of oil is exported via BTC, you said 10%-15% discount: is it likely to be close to 10 or 15%? I assume everything goes through Azerbaijan. Thank you.

**Dr Abdul Jaleel Al Khalifa**: Okay, thank you, sir. We're supposed to export our entitlement, not the gross production, because the government take their share to Turkmenbashi refinery and, therefore, they refine it and they sell it as products or for local domestic use. But we're responsible for shipping our own entitlements.

Now maximum sales through BTC, we have it in our current contract with the Western route, that there was a cap on the exports amount we're allowed to sell at the current negotiated price. Now if our production is more than what we had in the contract, then we had to settle with them on a certain arrangement, you know, which is something that we have to deal with some time.

Now with regard to the discount. Is it closer to 15% or to 10%? This is not an easy one because it's through the year. We continue to review options available with regard to the other routes. So if we have to maintain our maximum export through BTC, through the current arrangement, and we take the additional 10%-20% into other routes, which are more commercially viable, it will drop the discount to 10%. On the other hand, if we continue to use this route and market the additional production under the same discounts, more or less, one may go to 15%. So let's hope for the best. Let's hope that we can achieve a lower discount, but we want to maintain this range of 10-15%.

**Vugar Aliyev, Matrix Corporate Capital**: You said you're supposed to export your entitlement crude. Has it been the case in reality? Do you just leave the government's share and they deal with that, or in previous years you had to export their entitlement as well?

**Dr Abdul Jaleel Al Khalifa**: No, we only export our entitlement. There is an under-lift/overlift situation which is marginal but they have taken their part.

**Stephane Foucaud, FirstEnergy**: It's Stephane Foucaud with FirstEnergy. Two questions, the first one, at the back of the press release today there was an indication of the gas prices used for, I think, reserve calculation, and they talk about I think, about US$3.50 per MCF. Is it a reasonable assumption to use in our models in terms of how much you could achieve in terms of the gas price? And if yes, would that be wellhead or basically end consumers, i.e. we are to take out some cost out of that? Second, I think you talk about five appraisal wells to be drilled by 2013. What are those wells targeting in terms of resources that could potentially be converted in the 2P category? Thank you.

**Dr Abdul Jaleel Al Khalifa**: Okay, thank you, sir. On the US$3.50 per MCF, actually if you look at the current price range out of the Turkmen border, north, south or east, you'll see a higher number. But if you look at the local, domestic value of the gas in Turkmenistan, it's much, much cheaper than this. So considering the stage we're in, which is not close to the final stage, we wanted to take a medium, reasonable outlook for the future and we said let's take an average. For export towards European market or almost a fairly cheap price for domestic, and we used the US$3.50 for that. Now the US$3.50, what we're hoping for is this is a net to Dragon Oil after you take off the tariffs to the border and so on and so forth. Now whether we can achieve it or not, we hope we can achieve it within a number of years, you know.

Now the second question is on the appraisal wells. Appraisal wells in these assets, like Zhdanov Filed for example, you could tell we did not drill wells in Zhdanov. This is the first time we move with a platform there, Zhdanov A, and hence we're going to drill wells, deeper wells sometimes. There is an East Cheleken extension and we said there is a potential gain in P2 reserves, we may have oil there. That is also another location for an appraisal well. As you continue to drill in these two or three fields, you know, there're always potential areas on the borders of the field, deeper wells that could be considered appraisal wells. You know, in the sense that you are potentially going to see new sections, deeper sections, better porosity and, therefore, we're going to be very systematic and very intelligent in where to locate those appraisal wells in the sense that they carry medium risk between gains and loss. Drilling time is fairly expensive for us and we really want to use the drilling risk to add production capacity and unless we can justify those appraisal wells in terms of minimising risk and maximising potential gains, we'll be very careful to locate them.

**Ildar Khaziev, CitiGroup**: Congratulations on very impressive results. I have a question about your gas reserves. Is my understanding correct that most of your gas reserves are allocated in the gas cap and higher gas production in the future could potentially lead to lower reservoir pressure over time? In other words, if you increase gas output in the future, gas prices should be attractive enough to justify a possible negative impact on crude oil flow rates. Is my understanding correct? Thank you.

**Dr Abdul Jaleel Al Khalifa**: No, the gas that we have in the Area, it's not all gas cap, some of it is solution gas. Today, we produce 120 million standard cubic feet of gas per day and this is all associated gas, and, therefore, producing this gas will not impact the recovery of crude over the time. Now, there are sections of the reservoir that are fully gas saturated and, therefore, if and when there was a value for the gas, we can ship it all onshore and deliver it to the system. We can always go back and re-perforate those gas sections and add more gas to the system. Hence we don't see today an impact in oil recovery by additional gas production, especially from the wells that we are producing today, and I don't see 200 million standard cubic feet of gas per day is going to be a far reach from current production targets, and, therefore, I don't see an impact there. So all in all, I think the number that you see is a reasonable estimate based on today's production and based on the mapped gas structures in some of the sections, again it was not a pure gas cap, remember the reservoir that we have is channelled sand/shale sequences and it's not a huge volume of rock, which has a gas cap at the top and then oil section and then water at the bottom. In that case, yes, if you had just a gas cap at the top, underlay of oil, underlay by water and you go and penetrate the gas and suck it hard, what happens is that the oil moves into the gas cap and therefore it hurts the recovery of the oil. This is not the case we have here.

**Caren Crowley, Davy**: Good morning, gentlemen, thanks for your time. A couple of questions. Firstly, do you expect to be drilling deeper in 2011, so attacking some of the deeper horizons that you think could be quite prospective and boost productivity rates? Just on the financials, looking at the administrative overhead, do you think US$28 million per annum is a reasonable assumption or did it contain one-offs that we should deduct, and really what are the size or extent of those one-offs? The discount to Brent, is that actually a flat fee or how does it work? And I guess finally, net entitlement, what are your net entitlement reserves now based on your oil and gas assumptions listed in the results document? Thanks.

**Dr Abdul Jaleel Al Khalifa**: Thank you, Caren. Now with regard to the depth of wells to be drilled in 2011, some of them would go to 4,000+ metres. It's a depth that we had achieved in the past. It would go across Channel 8 and sometimes Channel 9 in certain sections of the field we know there is potential there that could add to the productivity of the wells. And this is the reason why we decided some wells should go deeper, because we think the shallower sections are depleted and therefore to maintain a good production target of those wells, we have to go deeper. Now at times where we can achieve a higher production rate from shallower sections, we decide to cut it short and complete the wells sooner because we're eager to put more production into the system. I hope I answered that one.

With regard to the discount to the Brent, if I understand you correctly, we really don't think it will be a flat percentage because it varies through the year with the decision as to what to do with the additional production we have, whether we continue to go west or we choose another route, and if we continue to go west then what commercial terms we achieve with the current buyer right now, whether that's at the same discount or better or worse discount. So that remains to be seen and, therefore, towards the end of the year, we'll have a better assessment as to what discount will be achieved to the Brent, you know, in 2011.

**Tarun Ohri**: I want to take the one question on the entitlement and then we'll talk of the administrative expenses. The entitlement barrels obviously depend on the fiscal terms of the PSA, and in 2009 our reserves at the end of the year were 617 million barrels, which grew to 639, as we've discussed, based on new reserves in the Lam West area as well as additional condensate recovery. The entitlement in 2009 we disclosed is 282 million barrels, and this year it is 309 million barrels is our entitlement in the oil reserves. And we'll have a full disclosure on this in the financials when they are released later on in the annual report. So our entitlement percentage currently is, on the basis of the reserves, is about 48% and the entitlement has stayed in this range at around 50%. And with gas reserves, our entitlement of the 260 million of barrels of oil equivalent of reserves would be about 106 million barrels, which is about 41%. And the difference between the two entitlements, between gas and oil, it all depends on the timing factor of capital expenditure. So that is on the entitlement.

And talking of administrative expenses, we would expect administrative expenses to remain between US$25-$30 million because there is a lot of one-off expenditure. In 2009, we had some corporate expenditure, which was related to ENOC approach and some other associated corporate costs. This year we have written off our CSR desalination plant as an expense because it's a part of CSR activity, an expense and not an asset under the IFRS. So every year there are about US$5 million of one-off expenditure but the administrative expenses are mainly corporate office expenses. It includes office costs and other expenditure associated with that. We would expect that to be around US$25-$30 million.

**Dr Abdul Jaleel Al Khalifa**: Thank you very much. I think that's all we have for today. Thank you all for coming and wish to see you in the future with some positive results as well. Thank you.