



We are pleased to present to you the un-audited financial statements for the 3rd quarter ended March 31, 2006.

FINANCIAL RESULTS

Gross sales for the 3rd quarter amounted to Rs. 5,119.3 million whereas gross sales for nine months to March 31, 2006 aggregated Rs 14,434.2 million against cumulative sales for the corresponding period of Rs 11,848.9 million. The increase in sales is due to increase in selling price and volume of gas sales. The operating results in the financial statements for 3rd quarter show profit after tax of Rs 94.2 million as against Rs 150.2 million for the corresponding quarter of the previous income year. However, the cumulative profit after tax for the nine months to March 31, 2006 is Rs 161.4 million against Rs 243.5 million of the corresponding period of the previous income year. The main reason for decrease in profit is expenditure incurred on exploration related activities. Presently the shareholders are entitled to guaranteed rate of return of 30% per annum. The return to shareholders shall be escalated in the event of increase in the Company's gas production beyond the level of 425 MMSCFD at the rate of 1% for each additional 20 MMSCFD of gas or equivalent oil produced, prorated for part thereof on annual basis, subject to a maximum of 45% per annum. Accordingly, based on this arrangement under Gas Price agreement, additional return at 0.98% was provided for in the annual financial statements of the Company for the year ended June 30, 2005, which was subsequently paid along with the 1st Interim dividend. Any adjustment/ variance does not affect the minimum guaranteed rate of return.

OPERATING RESULTS

The Company continued un-interrupted gas supply throughout the period under review to all its customers namely, Engro Chemicals Pakistan Limited, Fauji Fertilizer Company Limited, Water and Power Development Authority (WAPDA) and Sui Southern Gas Company Limited. The gas production for the 3rd quarter ended March 31, 2006 was 42,319 million standard cubic feet (MMSCF) at an average rate of 470 MMSCF per day as against 39,596 MMSCF during the corresponding period of 2004-05 at an average rate of 440 MMSCF per day. The cumulative production for the nine months to March 31, 2006 was 127,972 MMSCF at an average rate of 467 MMSCF per day as against the corresponding volume of gas production of 122,089 MMSCF at an average rate of 446 MMSCF per day. The increase is due to consumption of BMR quota by Fauji Fertilizer Plants and 10 MMSCFD additional interim gas supply to TPS Guddu w.e.f Dec. 29, 2005.

Regular maintenance of gas gathering network and production facilities was carried out as per good gas field practices and production optimization plans were followed to avoid any water coning and loss in production through effective reservoir management.

FUTURE CHALLENGES

Mari Habib Rahi Shallow Reservoir

For effective reservoir management and to meet pressure requirement of the customers, installation of compressors on gas producing wells is essential. The pre-qualified suppliers/packageers submitted their proposals for supply of compressors. They also gave their technical presentations on their technical bids. Presently their technical proposals are under evaluation and expected to be finalized in June 2006.

Mari Goru-B Deep Reservoir

In order to bring the Mari deep gas on production, which is allocated to two IPP's near Mari Field by PPIB, consultant M/s ENAR Petrotech has submitted the study report regarding the engineering design of Mari Deep Production facilities, which has been reviewed and finalized. Project report regarding production facilities & drilling of 3 upfront wells is being prepared which will be sent to GOP for approval after clearance from BOD.

Mari Sui Main Limestone & Pirkoh Reservoir

After drilling of Mari SML-1 and successful discovery in Pirkoh limestone & Sui Main limestone in Mari D&P lease, planning to appraise the Pirkoh & SML formations is in progress. Company is planning to drill 3 wells in Pirkoh limestone by the end of this calendar year and another three wells in SML formation afterwards.

Ziarat Field

After successful discovery, Ziarat Exploratory Well # 1 has been plugged due to high H₂S concentration. Company is planning to establish the early production facilities on fast track basis after acquisition of 2D seismic data, completion of Ziarat Exploratory well # 1 and drilling of two appraisal wells.

EXPLORATION ACTIVITIES

The Company's working interest share in onshore exploration licenses is as follows:

i)	Ziarat Exploration License	60.00%	Operator/Partner
ii)	Zarghun South D&P Lease	35.00%	Operator/Partner
iii)	Karak Exploration License	100.00%	Operator
iv)	Noor Exploration License	100.00%	Operator
v)	Nawabshah Exploration License	15.00%	J.V. Partner
vi)	Dadhar Exploration License	27.67%	J.V. Partner
vii)	Hala Exploration License	35.00%	J.V. Partner
viii)	Zamurdan Exploration License	20.00%	J.V. Partner
ix)	Kohlu Exploration License	40.00%	J.V. Partner
x)	Kalchas Exploration License	40.00%	J.V. Partner
xi)	Kot Sarang Exploration License	25.00%	J.V. Partner

The drafts of the Zarghun South Gas Sale Agreement and Pipeline Contribution Agreement with SSGCL have been finalized, but its execution is still pending for approval of the drafts by OGRA/DG(Gas). The Nawabshah Joint Venture has spud in the well on February 21, 2006 and the drilling is in progress. The Company has carried out geological fieldwork in Karak Block and is now planning to undertake seismic survey in the Block.

The Company has received Government's approval of the farm-in deal with Tullow for acquisition of 20% and 10% in their Kohat and Bannu-west Blocks, respectively against a swap farm-out of 20% and 10% interests, respectively from the Company's share in Kalchas and Kohlu Blocks and the execution of Deed of Assignment is in the process.

The Company continues to pursue its evaluation of potential sedimentary basins of the country to identify new exploration areas as well as assessing prospects and negotiating terms for Company's participation in the already awarded blocks through farm-in arrangements with other companies.

For and on behalf of the Board

Lt Gen Syed Arif Hasan HI(M) (Retd)
Chairman

Islamabad
April 26, 2006



MARI GAS COMPANY LIMITED
BALANCE SHEET
AS AT MARCH 31, 2006

	Note	Un-audited 31.03.2006	Audited 30.06.2005
SHARE CAPITAL, RESERVES AND SURPLUS			
Authorized capital 250,000,000 ordinary shares of Rs 10 each		2,500,000	2,500,000
Issued, subscribed and paid up capital		367,500	367,500
General reserve		2,046	2,046
Undistributed percentage return reserve		207,749	207,749
Profit and loss account	4	2,114,230	2,029,955
		<u>2,691,525</u>	<u>2,607,250</u>
LONG TERM LOAN, PROVISIONS AND DEFERRED LIABILITIES			
Long term loan - secured	5	112,100	336,300
Deferred income tax		135,241	151,002
Decommissioning cost		1,366,791	1,366,791
Other deferred liabilities		87,287	85,359
		<u>1,701,419</u>	<u>1,939,452</u>
CURRENT LIABILITIES			
Current maturity of long term loan		224,200	224,200
Accrued and other liabilities		3,526,250	2,886,881
Income tax		488,991	272,131
		<u>4,239,441</u>	<u>3,383,212</u>
CONTINGENCIES AND COMMITMENTS			
	6		
		<u>8,632,385</u>	<u>7,929,914</u>


The annexed notes from 1 to 15 form an integral part of these financial statements.

	Note	Un-audited 31.03.2006 (Rupees in thousand)	Audited 30.06.2005
FIXED ASSETS			
Property, plant and equipment	7	3,503,760	3,726,830
LONG TERM LOANS AND ADVANCES - considered good			
		6,188	6,646
LONG TERM DEPOSITS AND PREPAYMENTS			
		4,103	4,497
CURRENT ASSETS			
Stores and spares		155,603	153,799
Trade debts - considered good		1,253,649	954,480
Loans, advances and prepayments		321,669	116,718
Other receivables		31,531	26,979
Cash and bank balances		3,355,882	2,939,965
		5,118,334	4,191,941
		<u>8,632,385</u>	<u>7,929,914</u>

The annexed notes from 1 to 15 form an integral part of these financial statements.



Lt Gen Imtiaz Shaheen (Retd)
Chief Executive



Qaiser Javed
Director



MARI GAS COMPANY LIMITED
PROFIT AND LOSS ACCOUNT (UNAUDITED)
FOR NINE MONTHS ENDED MARCH 31, 2006

	Note	Three months ended		Nine months ended	
		31.03.2006	31.03.2005	31.03.2006	31.03.2005
(Rupees in thousand)					
Sales	8	4,860,692	3,885,172	13,681,158	11,310,357
Less: Development surcharge		3,394,685	2,435,170	9,359,817	7,506,284
General sales tax		668,069	514,312	1,882,025	1,545,061
Excise duty		158,179	147,966	477,916	455,664
		4,220,933	3,097,448	11,719,758	9,507,009
Sales - net		639,759	787,724	1,961,400	1,803,348
Less: Royalty		79,970	98,384	245,175	225,177
		559,789	689,340	1,716,225	1,578,171
Operating expenses	9	297,051	253,285	777,992	722,138
Exploration expenditure	10	64,291	186,274	564,738	261,052
		361,342	439,559	1,342,730	983,190
Operating profit		198,447	249,781	373,495	594,981
Other income		92,168	33,355	233,307	77,217
		290,615	283,136	606,802	672,198
Finance costs		10,619	9,071	35,922	26,360
Other charges		25,095	23,203	50,403	57,277
		35,714	32,274	86,325	83,637
Profit before taxation		254,901	250,862	520,477	588,561
Taxation	11	160,681	100,698	359,100	345,038
Profit for the period after taxation		94,220	150,164	161,377	243,523
Basic earnings per share - Rupees		2.56	4.09	4.39	6.63

The annexed notes from 1 to 15 form an integral part of these financial statements.

Lt Gen Imtiaz Shaheen (Retd)
 Chief Executive

Qaiser Javed
 Director



MARI GAS COMPANY LIMITED
CASH FLOW STATEMENT (UNAUDITED)
FOR NINE MONTHS ENDED MARCH 31, 2006

	Note	31.03.2006	31.03. 2005
		(Rupees in thousand)	
Cash flows from operating activities			
Cash generated from operations	12	750,972	1,101,861
Payment of long term loans and advances		458	(1,245)
(Increase) in long term deposits and prepayments		394	(720)
Increase in deferred credits		(5,349)	(17,233)
Taxes paid		(157,999)	(112,445)
Net cash generated from operations		588,476	970,218
Cash flows from investing activities			
Purchases of property, plant & equipment		(69,326)	(149,752)
Proceeds from sale of property, plant & equipment		1,649	12,064
Interest received		224,655	49,925
Net cash from /(used) in investing activities		156,978	(87,763)
Cash flows from financing activities			
Long-term loan repaid		(224,200)	(224,200)
Finance cost paid		(36,332)	(26,055)
Dividends paid		(69,005)	(67,522)
Net cash used in financing activities		(329,537)	(317,777)
Increase in cash and cash equivalents		415,917	564,678
Cash and cash equivalents at beginning of the period		2,939,965	2,083,645
Cash and cash equivalents at end of the period		3,355,882	2,648,323

The annexed notes from 1 to 15 form an integral part of these financial statements.

Lt Gen Imtiaz Shaheen (Retd)
Chief Executive

Qaiser Javed
Director



MARI GAS COMPANY LIMITED
STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR NINE MONTHS ENDED MARCH 31, 2006

	Share capital	General reserve	Undistributed percentage return reserve (Rupees in thousand)	Profit and loss account	Total
Balance as at June 30, 2004	367,500	2,046	158,127	1,830,035	2,357,708
Profit for the period	-	-	-	243,523	243,523
Dividends	-	-	-	(75,227)	(75,227)
Balance as at March 31, 2005	367,500	2,046	158,127	1,998,331	2,526,004
Profit for the period	-	-	-	117,996	117,996
Dividends	-	-	-	(36,750)	(36,750)
Transferred to undistributed percentage return reserve	-	-	49,622	(49,622)	-
Balance as at June 30, 2005	367,500	2,046	207,749	2,029,955	2,607,250
Profit for the period	-	-	-	161,377	161,377
Dividends	-	-	-	(77,102)	(77,102)
Balance as at March 31, 2006	367,500	2,046	207,749	2,114,230	2,691,525

The annexed notes from 1 to 15 form an integral part of these financial statements.

Lt Gen Imtiaz Shaheen (Retd)
Chief Executive

Qaiser Javed
Director



1. LEGAL STATUS AND OPERATIONS

Mari Gas Company Limited ("the Company") is a public limited company incorporated in Pakistan under the Companies Ordinance, 1984 and its shares are listed on the Karachi, Lahore and Islamabad stock exchanges. The Company is principally engaged in drilling, exploration, production and sale of natural gas. The gas price mechanism is governed by Mari Gas Well Head Price Agreement dated December 22, 1985 between the President of Islamic Republic of Pakistan and the Company. The registered office of the Company is situated at 21 Mauve Area, 3rd Road G-10/4, Islamabad.

2. ACCOUNTING POLICIES

These financial statements have been prepared in accordance with the requirements of International Accounting Standard 34, "Interim Financial Reporting".

The accounting policies adopted for the preparation of these financial statements are the same as those applied in the preparation of the annual audited financial statements of the Company for the year ended June 30, 2005.

3. GAS PRICE MECHANISM

In terms of Mari Gas Well Head Price Agreement ("the Agreement") dated December 22, 1985 between the President of Islamic Republic of Pakistan and Mari Gas Company Limited, wellhead gas price for each ensuing year is determined in accordance with the principles of gas price formula set out in Article II of the Agreement. The Agreement states that the gas price will be at the minimum level to ensure that total revenues generated from sale of gas and other income are sufficient to provide a minimum return of 30%, net of all taxes, on Shareholders' Fund (as defined in the Agreement) after meeting specified ratios and deductibles. The return to shareholders shall be escalated in the event of increase in the Company's gas production beyond the level of 425 MMSCFD at the rate of 1%, net of all taxes, on Shareholders' Fund for each additional 20 MMSCFD of gas or equivalent oil produced, prorated for part thereof on annual basis, subject to a maximum of 45%.

Effective July 01, 2001, the Government has authorized the Company to incur expenditure not exceeding the Rupee equivalent of US\$ 20,000,000 per annum or 30% of the Company's annual gross sales revenue as disclosed in the last audited financial statements, whichever is less in connection with exploration and development in any concession area other than Mari Field provided that if such exploration and development result in additional oil and gas production, the revenues generated from such additional oil or gas production shall be credited to and treated as revenue under the Agreement referred to above.

4. PROFIT AND LOSS ACCOUNT

The amount of Rs 2,114.230 million (June 30, 2005 : RS 2,029.955 million) represents the following:

4.1 Undistributable balance

The amount of Rs 2,057.837 million (June 30, 2005 : Rs 2,026.354 million) , including Rs 31.483 million for nine months to March 31, 2006 which has been generated through the Agreement and is not distributable, as per the operation of Article II of the Agreement to meet the obligations and to the extent indicated for the following:

	Generated upto June 30, 2005	Generated during the period ended March 31, 2006	Total as at March 31, 2006
	(Rupees in thousand)		
a) Rupee element of capital expenditure (net of depreciation/ amortization) and repayment of borrowings	1,761,583	31,483	1,793,066
b) Maintenance of debt service ratio	90,234	-	90,234
c) Maintenance of current ratio	174,537	-	174,537
Total	2,026,354	31,483	2,057,837
Year ended June 30, 2005	1,828,308	198,046	2,026,354



	<u>31.03.2006</u>	<u>30.06.2005</u>
4.2 Distributable balance		(Rupees in thousand)
Undistributed guaranteed return	<u>56,393</u>	<u>3,601</u>

This represents guaranteed profit of Rs 56.393 million transferable to Undistributed percentage return reserve at the year end (June 30, 2005: Nil) @ 30% on shareholders' fund for nine months to March 31, 2006 . Moreover, Undistributable guaranteed return of Rs 3.6 million was available for distribution and has been paid with 1st interim dividend.

	<u>31.03.2006</u>	<u>30.06.2005</u>
5. LONG TERM LOAN - SECURED		(Rupees in thousand)
From Habib Bank Limited	336,300	560,500
Less: Amount payable within 12 months shown under current portion	<u>224,200</u>	<u>224,200</u>
	<u>112,100</u>	<u>336,300</u>
5.1 Movement in this account during the period/year is as follows:		
Opening balance	336,300	560,500
Repayment during the period/year	<u>(224,200)</u>	<u>(224,200)</u>
Closing balance	<u>112,100</u>	<u>336,300</u>

6. CONTINGENCIES AND COMMITMENTS

6.1 Interest on delayed payments

	<u>31.03.2006</u>	<u>30.06.2005</u>
6.2 Other contingencies		(Rupees in thousand)
(i) Indemnity bonds given to Collector of Customs against duty concessions on import of equipment and materials	264,116	374,890
(ii) Regulatory custom duty, not accepted by the Company	-	10,059



6.3 Commitments		(Rupees in thousand)	
(i) Capital expenditure			
Share in joint ventures	283,371	969,491	
Others	52,787	43,341	
	336,158	1,012,832	
(ii) Operating lease rentals due:			
Less than one year	4,404	5,070	
More than one year but less than five years	5,625	9,524	
	10,029	14,594	

7. PROPERTY, PLANT AND EQUIPMENT		(Rupees in thousand)	
		31.03.2006	31.03.2005

Opening book value	3,559,084	3,546,159
Additions during the period (note - 7.1)	76,467	112,334
Written down value of disposals (note - 7.2)	(192)	(3,002)
Depreciation for the period	(292,207)	(287,441)
	3,343,152	3,368,050
Add: Capital Work In Progress	160,608	223,135
	<u>3,503,760</u>	<u>3,591,185</u>

7.1 Additions		
Land	319	-
Building	4,709	49,735
Roads & bridges	20,105	222
Plant, machinery and equipment	27,744	40,957
Drilling expenditure	8,519	7,814
Computers	239	5,578
Furniture & fixture	5,132	3,886
Motor vehicles	9,700	4,142
	<u>76,467</u>	<u>112,334</u>

7.2 Disposal		
Building	-	118
Plant, machinery and equipment	192	760
Drilling expenditure		1,483
Computers	-	84
Furniture & fixture	-	119
Motor vehicles	-	438
	<u>192</u>	<u>3,002</u>

8. SALES	Three months ended		Nine months ended	
	31.03.2006	31.03.2005	31.03.2006	31.03.2005
(Rupees in thousand)				
8.1 Gross sales (including internal consumption)	5,119,355	3,929,250	14,434,210	11,848,887
Less:				
Provisional adjustment representing surplus payable to the President under the provisions of the Agreement. (note 8.2)	258,663	44,078	753,052	538,530
	<u>4,860,692</u>	<u>3,885,172</u>	<u>13,681,158</u>	<u>11,310,357</u>



8.2 The provisional adjustment has been determined in accordance with the provisions of the Agreement . Final adjustment in this respect will be determined at the year end.

9. OPERATING EXPENSES	Three months ended		Nine months ended	
	31.03.2006	31.03.2005	31.03.2006	31.03.2005
	(Rupees in thousand)			
Salaries, wages and benefits	103,085	67,110	219,859	174,779
Employees' retirement benefits	11,545	10,918	34,566	33,686
Rent, rates and taxes	788	511	6,816	1,907
Lease rentals	904	808	2,857	2,768
Legal and professional services	817	1,111	1,468	1,821
Fuel, light, power and water	7,962	5,828	27,619	20,390
Maintenance and repairs	7,097	3,531	25,541	14,727
Insurance	8,033	7,905	24,083	23,496
Depreciation and amortization	97,446	99,839	292,207	287,441
Employees' medical and welfare	12,433	11,471	32,704	31,204
Security and other services	23,838	18,698	67,162	56,969
Travelling	1,678	2,855	2,961	7,590
Communications	1,593	2,152	5,475	7,070
Printing, stationary and supplies	2,271	1,835	5,054	5,571
Technical software and data purchase	(183)	47	1,168	70
Auditor's remuneration	86	-	86	-
Stores and spares consumed	9,190	7,504	23,881	20,721
Donations	-	-	-	140
Mobile dispensary and social welfare	5,728	8,726	32,077	20,083
Training	5,164	2,863	7,425	12,048
Goru B reservoir study	-	10	-	5,643
Advertisement	957	673	1,632	1,144
Books and periodicals	115	144	293	261
Miscellaneous	931	3,952	3,712	7,616
	<u>301,478</u>	<u>258,491</u>	<u>818,646</u>	<u>737,145</u>
Less: Recoveries from Joint ventures	<u>4,427</u>	<u>5,206</u>	<u>40,654</u>	<u>15,007</u>
	<u>297,051</u>	<u>253,285</u>	<u>777,992</u>	<u>722,138</u>
Share in joint ventures	47,744	174,632	529,120	229,510
Exploration department cost	18,138	12,170	43,296	37,197
	<u>65,882</u>	<u>186,802</u>	<u>572,416</u>	<u>266,707</u>
Less: Recoveries from joint ventures	<u>1,591</u>	<u>528</u>	<u>7,678</u>	<u>5,655</u>
	<u>64,291</u>	<u>186,274</u>	<u>564,738</u>	<u>261,052</u>

The Company as operator spud the Ziarat Exploratory Well #1 on September 28, 2005 which proved successful and declared the discovery on December 24, 2005. The Company as operator plans to appraise the area for future potentials.



	Three months ended		Nine months ended	
	31.03.2006	31.03.2005	31.03.2006	31.03.2005
	(Rupees in thousand)			
11. TAXATION				
Current tax	190,260	165,656	374,860	428,487
Deferred tax	(29,579)	(64,958)	(15,760)	(83,449)
	<u>160,681</u>	<u>100,698</u>	<u>359,100</u>	<u>345,038</u>

12. CASH GENERATED FROM OPERATIONS	Nine months ended	
	31.03.2006	31.03.2005
	(Rupees in thousand)	
Profit before taxation	520,477	588,561
Adjustment for non cash charges and other items:		
Depreciation and amortization	292,207	287,441
Profit on disposal of fixed assets	(1,458)	(9,062)
Employees' retirement benefits	7,276	4,365
Interest income	(229,714)	(58,572)
Finance cost	35,922	26,360
Working capital changes (note 12.1)	126,262	262,768
	<u>750,972</u>	<u>1,101,861</u>
12.1 Working capital changes		
(Increase)/decrease in current assets		
Stores and spares	(1,804)	5,418
Trade debts	(299,169)	(70,008)
Loans, advances and prepayments	(204,951)	(142,154)
Other receivables	506	1,009
	<u>(505,418)</u>	<u>(205,735)</u>
Accrued and other liabilities	631,680	468,503
	<u>126,262</u>	<u>262,768</u>

13. TRANSACTIONS WITH RELATED PARTIES

Fauji Foundation holds 40% shares of the Company, therefore all subsidiaries and associated undertakings of Fauji Foundation are related parties of the Company. Other related parties comprise of associated companies, directors, major shareholders, key management personnel and employees' retirement benefit funds. Transactions with related parties are as follows:



	Nine months ended	
	31.03.2006	31.03.2005
	(Rupees in thousand)	
Sale of gas to Fauji Fertilizer Company Limited	6,508,632	5,299,779
Contribution to employees' retirement benefit funds	32,652	33,211
Remuneration including benefits and perquisites of Chief Executive	3,049	4,668
Remuneration including benefits and perquisites of Directors (No of Directors 2006: 01 (2005: 01)	2,576	2,325
Remuneration including benefits and perquisites of Executives (No of Executives 2006: 63 (2005: 54)	136,650	109,692
	<u>31.03.2006</u>	<u>30.06.2005</u>
	(Rupees in thousand)	
Receivable balances with related parties are as follows:		
Fauji Fertilizers Company Limited	392,766	321,927
Oil and Gas Development Company Limited	-	1,514

Transactions with related parties are based on the normal commercial practices between independent businesses.

14. GENERAL

- 14.1 These are unaudited financial statements and being submitted as required by SECP under Section 245 of the Companies Ordinance, 1984.
- 14.2 Previous period figures have been re-arranged, wherever necessary, for the purpose of comparison.

15. DATE OF AUTHORIZATION

These financial statements were authorized for issue on April 26, 2006 by the Board of Directors of the Company.

Lt Gen Imtiaz Shaheen (Retd)
Chief Executive

Qaiser Javed
Director