

DEVELOPMENT FUND FOR IRAQ

STATEMENT OF OIL EXPORT SALES

FOR THE YEAR ENDED 31 DECEMBER 2007

**INDEPENDENT AUDITORS' REPORT TO THE
GOVERNMENT OF IRAQ AND THE INTERNATIONAL ADVISORY AND MONITORING
BOARD AND COMETTEE OF FINANCIAL EXPERTS OF THE DEVELOPMENT FUND FOR
IRAQ**

We have audited the accompanying statement of oil export sales (the "statement") of the Development Fund for Iraq (DFI) for the year ended 31 December 2007. This statement is the responsibility of the DFI management. Our responsibility is to express an opinion on the statement based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts in the statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the statement. We believe that our audit provides a reasonable basis for our opinion.

Except for the qualifications discussed in the following paragraphs, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

The IAMB recommended in March 2004 the expeditious installation of a comprehensive oil metering system in Iraq and in accordance with standard oil industry practices, While the Iraqi Government supports oil metering, progress has been slow. Some metering has been installed at oil terminals, but there continues to be no metering in the oil fields. Because of the absence of an overall comprehensive system of controls over oil, there are un-reconciled differences between oil extraction, production, export sales and internal usage.

In our opinion, except for the effects of the matter referred to in the preceding paragraph, the statement of oil export sales presents fairly, in all material respects, the oil sales of the Development Fund for Iraq for the year ended 31 December 2007, in accordance with International Public Sector Accounting Standards.

Without further qualifying our opinion, we draw that there were barter transactions for exports of petroleum and petroleum products during the year ended 31 December 2007 amounting to U.S. \$ 217,391 thousand (from inception to 31 December 2007: U.S. \$ 1,032,598 thousand). According to UNSCR 1483 (2003), 95% of the proceeds of export sales of petroleum and petroleum products should be deposited in the DFI accounts. As these were non-cash transactions, these barter transactions are not recorded in the DFI's statement of cash receipts and payments.

Our report is intended solely for the information and use of the Government of Iraq, the International Advisory and Monitoring Board of the Development Fund for Iraq, and The Committee of Financial Experts and should not be used for any other purpose. We do not, in giving our report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our consent in writing.

Baghdad - Iraq
12 June 2008

A handwritten signature in blue ink that reads 'Ernst + Young'.

STATEMENT OF OIL EXPORT SALES

For the year ended 31 December 2007

	<i>1 January to 31 December 2007 U.S. \$ 000'</i>	<i>1 January to 31 December 2006 U.S. \$ 000'</i>
<u>Oil sales</u>		
Oil export sales	39,833,938	30,397,044
Petroleum products export sales	<u>923,916</u>	<u>647,651</u>
Total oil sales	<u>40,757,854</u>	<u>31,044,695</u>
<u>Barter exports</u>		
Oil barter exports	182,003	168,230
Petroleum products barter exports	<u>35,388</u>	<u>7,307</u>
Total barter exports	<u>217,391</u>	<u>175,537</u>
Total oil export sales	<u>40,975,245</u>	<u>31,220,232</u>