Kurdistan Regional Government of Iraq

Oil production, export, consumption and revenue for the period 1 July 2019 to 30 September 2019

29 April 2020
Review of the Kurdistan Regional Government of Iraq’s oil production, export, consumption and revenue for the period 1 July 2019 to 30 September 2019

1.1 We were appointed by the Regional Council for Oil and Gas Affairs (“RCOG”) of the Kurdistan Regional Government (“KRG”) to review oil production, export, consumption and revenue for 2019, as well as prior years 2014 to 2018.

1.2 We have completed our review of the schedule of oil production, export, consumption and revenue for the period 1 July 2019 to 30 September 2019 ("Q3 2019"), attached as Schedule 1 to this report. We have also reviewed and reported on the schedule of oil export, consumption and revenue for the period 1 January 2017 to 30 June 2019.

1.3 Our procedures involved reviewing export and sales records; undertaking site visits; making inquiries of oil producers; obtaining production metering records; and undertaking other procedures as required.

1.4 We report our findings below:

1.4.1 Oil export and consumption - We did not identify any misstatements in the 1 July 2019 to 30 September 2019 oil export and consumption data.

1.4.2 Oil sales - We did not identify any misstatements in the 1 July 2019 to 30 September 2019 oil sales data and the net amount received in the period by the KRG.

1.5 This report is limited to the data contained in Schedule 1 and does not extend to any further information that may have been produced or published by the KRG. We note that production contributions for the individual fields is subject to additional reconciliation and verification procedures and this exercise is currently in progress.

1.6 We used sampling and other techniques to the extent we considered necessary to verify the data in Schedule 1. Our review was dependent on documentation provided by all stakeholders (oil producers, refineries, oil traders, the pipeline operator, and the KRG’s Ministry of Natural Resources), and the accuracy and completeness thereof.

1.7 This report has been prepared for RCOG. Deloitte accepts no responsibility or liability to any third parties for any opinions expressed or any inaccuracy, omission or error regarding any information contained within this report. No party, other than the RCOG, is entitled to rely on this report for any purpose whatsoever.

1.8 This report and Schedule 1 have also been published in the Arabic and Kurdish languages. In the event of any discrepancies between these documents, the English version is definitive.

Yours faithfully,

Neil Hargreaves
Deloitte Professional Services (DIFC) Limited

Robert O’Hanlon
Deloitte & Touche (M.E.)
### SCHEDULE 1

Oil export, consumption and revenue

**Review of the Kurdistan Regional Government of Iraq’s oil production, export, consumption and revenue for the period 1 July 2019 to 30 September 2019**

<table>
<thead>
<tr>
<th><strong>Oil Exports and Consumption</strong></th>
<th><strong>Period Total</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Piped export of crude oil (Note 2 and Note 3)</td>
<td>39,896,860 bbls</td>
</tr>
<tr>
<td>Crude oil delivered to refineries for MNR refining</td>
<td>2,105,543 bbls</td>
</tr>
<tr>
<td>Sales to refineries</td>
<td>112,408 bbls</td>
</tr>
<tr>
<td>Local sales</td>
<td>255,869 bbls</td>
</tr>
<tr>
<td><strong>Total exported &amp; consumed</strong></td>
<td><strong>42,370,680 bbls</strong></td>
</tr>
</tbody>
</table>

**Pipeline Export Sales Analysis**

<table>
<thead>
<tr>
<th><strong>Period Total</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Net oil lifted by the buyers (net quantity after inventory movement and removal of water content) (Note 3 and Note 4)</td>
</tr>
<tr>
<td>Gross value of crude oil sold</td>
</tr>
<tr>
<td>Average price per barrel achieved for oil sold (Note 5)</td>
</tr>
</tbody>
</table>

**Refinery and Local Sales Analysis**

<table>
<thead>
<tr>
<th><strong>Period Total</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Net oil (crude and condensate) lifted by the buyers (net quantity after removal of water content and evaporation losses during transportation)</td>
</tr>
<tr>
<td>Gross value of crude and condensate sold</td>
</tr>
<tr>
<td>Average price per barrel achieved for oil sold (*)</td>
</tr>
</tbody>
</table>

(*) Condensate is priced as USD/MT, and has been converted to barrel equivalent for reporting purposes.

**Financial Flows**

<table>
<thead>
<tr>
<th><strong>Period Total</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross value of crude oil and condensate sold (Piped exports and local sales)</td>
</tr>
<tr>
<td>Net movement in buyer account balances (Note 6)</td>
</tr>
<tr>
<td>Long term advance payments (Note 7)</td>
</tr>
<tr>
<td>Interest and other charges from the buyers (Note 8)</td>
</tr>
<tr>
<td>Payments made to oil producers by, or on behalf of, the KRG</td>
</tr>
<tr>
<td>Tariff payments to Turkish Energy Company (TEC)</td>
</tr>
<tr>
<td>Payments made to Kurdistan Pipeline Company (KPC) under the pipeline concession agreement</td>
</tr>
<tr>
<td>Debt repayment to TEC and Turkish Petroleum International Company (TPIC)</td>
</tr>
<tr>
<td>Payments made to other parties by, or on behalf of, the KRG (Note 9)</td>
</tr>
<tr>
<td>Additional proceeds from PSC / pipeline licensing agreement (Note 10)</td>
</tr>
</tbody>
</table>

**Net cash balance received by the KRG for sales and related activities** | **1,066,671,681 USD**
NOTES TO SCHEDULE 1

Oil export, consumption and revenue

Review of the Kurdistan Regional Government of Iraq’s oil production, export, consumption and revenue for the period 1 July 2019 to 30 September 2019

Note 1
All figures in Schedule 1 for the period 1 July 2019 to 30 September 2019 oil export, consumption and revenue data are based on the records provided by stakeholders to the KRG. The KRG pipeline has also been used to export North Oil Company (NOC) crude oil during the period. This oil is not included in Schedule 1.

Note 2
Piped export of crude oil includes 787,783 bbls of refined heavy fuel oil surplus to internal consumption during the period.

Note 3
Gross crude oil lifted by the buyers  40,550,180 bbls
Increase (decrease) in storage at oil terminal  (653,320) bbls

Piped export of crude oil  39,896,860 bbls

Note 4
Gross piped exports are 40,550,180 bbls whereas the net piped export sales are 39,953,584 bbls. The difference between the gross and net exports is due to the removal of contaminants such as water, and a Q3 2019 shipment of 480,924 gross bbls of off-spec contaminated crude oil, for which a value has not yet been assigned. This off-spec shipment has not been included in the reported piped export sales figures in this period, but will be reported in a subsequent period once a value has been assigned to the shipment.

Note 5
The net piped export barrels and average price per barrel achieved for oil sold by month is as follows:

<table>
<thead>
<tr>
<th></th>
<th>July 2019</th>
<th>August 2019</th>
<th>September 2019</th>
<th>Q3 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross piped exports</td>
<td>13,633,335 bbls</td>
<td>14,640,860 bbls</td>
<td>11,679,389 bbls</td>
<td>39,953,584 bbls</td>
</tr>
<tr>
<td>Average price/bbl</td>
<td>51.637 USD/bbl</td>
<td>47.079 USD/bbl</td>
<td>49.730 USD/bbl</td>
<td>49.410 USD/bbl</td>
</tr>
</tbody>
</table>

Note 6
Excluding additional long term advance payments, the net movement in buyer account balances during the period was an increase of USD 62,892,731. The resulting total balance owing from the KRG to buyers at the end of the period was USD 4,133,361,566. Claims from the buyers that are pending MNR approval are not included in this balance.

Note 7
During the period, USD 450,918,900 in long term advance payments against future crude oil purchases were received. These advances are repayable, either in cash or by way of offset against payments due for crude oil deliveries, and therefore have been shown separately from the net movement in buyer account balances referred to in Note 6 above.

Note 8
Interest and other charges from buyers of USD 6,767,835 is made up of the following:

i. USD 2,644,151 for transportation costs from a field to the pipeline;
ii. USD 1,964,898 in prior period shipment cancellation charges;
iii. USD 1,463,819 in demurrage claims against prior period shipments that were approved during Q3 2019;
iv. USD 648,011 in off-spec claims against prior period shipments that were approved during Q3 2019; and
v. USD 46,956 in demurrage claims against current period shipments.

Note 9
Payments to other parties of USD 78,982,504 is made up of the following:

i. USD 53,371,661 for supply of electricity to the Kurdistan Region;
ii. USD 16,672,444 for fuel purchased for the Ministry of Electricity;
iii. USD 5,462,117 for logistical support services provided to the MNR; and
iv. USD 3,476,282 for legal services and retainer for the KRG.

Note 10
In addition to oil sales revenues, an amount of USD 3,562,302 has been received by the KRG in relation to production sharing contracts.
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