

30 April 2020

Regional Council for Oil
and Gas Affairs

Kurdistan Regional
Government

Kurdistan Region, Iraq

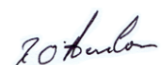
**Review of the Kurdistan Regional Government of Iraq's oil production,
export, consumption and revenue for the period 1 October 2019 to
31 December 2019**

- 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 export, consumption and revenue for the period 1 October 2019 to 31 December 2019 ("Q4 2019"), attached as Schedule 1 to this report. We have previously reviewed and reported on the schedule of oil export, consumption and revenue for the period 1 January 2017 to 30 September 2019.
- 1.3 Our procedures involved reviewing export and sales records; undertaking site visits; making inquiries of oil producers; 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 October 2019 to 31 December 2019 oil export and consumption data.
 - 1.4.2 Oil sales - We did not identify any misstatements in the 1 October 2019 to 31 December 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 October 2019 to 31 December 2019

 Oil Exports and Consumption	Period Total
Piped export of crude oil (Note 2 and Note 3)	42,054,326 bbls
Crude oil delivered to refineries for MNR refining	1,786,068 bbls
Sales to refineries	77,534 bbls
Local sales	297,396 bbls
Total exported & consumed	44,215,324 bbls
 Pipeline Export Sales Analysis	Period Total
Net oil lifted by the buyers (net quantity after inventory movement and removal of water content) (Note 3 and Note 4)	40,210,756 bbls
Gross value of crude oil sold	2,102,722,634 USD
Average price per barrel achieved for oil sold (Note 5)	52.293 USD/bbl
 Refinery and Local Sales Analysis	Period Total
Net oil (crude and condensate) lifted by the buyers (net quantity after removal of water content and evaporation losses during transportation)	374,930 bbls
Gross value of crude and condensate sold	16,970,278 USD
Average price per barrel achieved for oil sold (*)	45.262 USD/bbl
(*) Condensate is priced as USD/MT, and has been converted to barrel equivalent for reporting purposes.	
 Financial Flows	Period Total
Gross value of crude oil and condensate sold (Piped exports and local sales)	2,119,692,912 USD
Net movement in buyer account balances (Note 6)	(691,882,270) USD
Interest and other charges from the buyers (Note 7)	(2,967,942) USD
Payments made to oil producers by, or on behalf of, the KRG	(240,975,290) USD
Tariff payments to Turkish Energy Company (TEC)	(87,125,846) USD
Payments made to Kurdistan Pipeline Company (KPC) under the pipeline concession agreement	(175,166,726) USD
Debt repayment to TEC and Turkish Petroleum International Company (TPIC)	(100,000,082) USD
Payments made to other parties by, or on behalf of, the KRG (Note 8)	(120,946,401) USD
Net cash balance received by the KRG for sales and related activities (Note 9)	700,628,355 USD

NOTES TO SCHEDULE 1

Oil export, consumption and revenue

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Note 1

All figures in Schedule 1 for the period 1 October 2019 to 31 December 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 133,603 bbls of refined heavy fuel oil surplus to internal consumption during the period.

Note 3

Gross crude oil lifted by the buyers	41,537,090	bbls
Increase (decrease) in storage at oil terminal	517,236	bbls
Piped export of crude oil	42,054,326	Bbls

Note 4

Gross piped exports are 41,537,090 bbls whereas the net piped export sales are 40,210,756 bbls. The difference of 1,326,334 bbls between the gross and net piped exports is due to the removal of contaminants such as water, and two Q4 2019 shipments totaling 1,149,808 gross bbls of off-spec contaminated crude oil, for which a value has not yet been assigned. These off-spec shipments have not been included in the reported piped export sales figures in this period, but will be reported in a subsequent period once values have been assigned to the shipments.

Note 5

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

October 2019	November 2019	December 2019	Q4 2019
12,672,160 bbls	14,914,620 bbls	12,623,976 bbls	40,210,756 bbls
49.114 USD/bbl	52.146 USD/bbl	55.657 USD/bbl	52.293 USD/bbl

Note 6

Excluding additional long term advance payments, the net movement in buyer account balances during the period was a decrease of USD 691,882,270. The resulting total balance owing from the KRG to buyers at the end of the period was USD 3,441,479,296. Claims from the buyers that are pending MNR approval are not included in this balance.

Note 7

Interest and other charges from buyers of USD 2,967,942 is made up of the following:

- USD 2,862,002 for transportation costs from a field to the pipeline; and
- USD 105,940 in demurrage claims against current period shipments.

Note 8

Payments to other parties of USD 120,946,401 is made up of the following:

- USD 100,000,081 for the settlement of debt by the KRG;
- USD 10,587,183 for fuel purchased for the Ministry of Electricity;
- USD 6,772,151 for supply of electricity to the Kurdistan Region;
- USD 2,061,283 for logistical support services provided to the MNR; and
- USD 1,525,703 in connection with the gas pipeline project.

Note 9

Of the net cash balance of USD 700,628,355 received by KRG, a balance of USD 318,540,719 (as of 31 December 2019) is held in a bank account in Lebanon. The banks in Lebanon are currently restricting the movement of foreign currency outside the country.