



**Acquisition of 20 per cent Shareholding in  
Amira Hydrocarbons Wasit B.V.**

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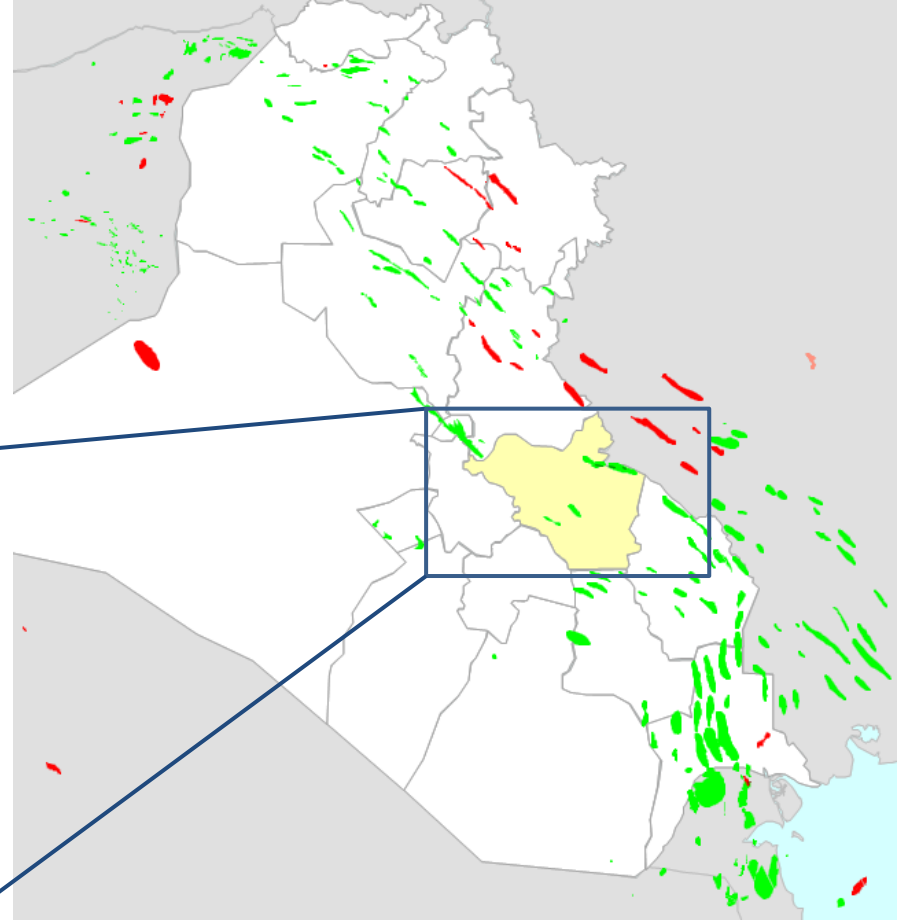
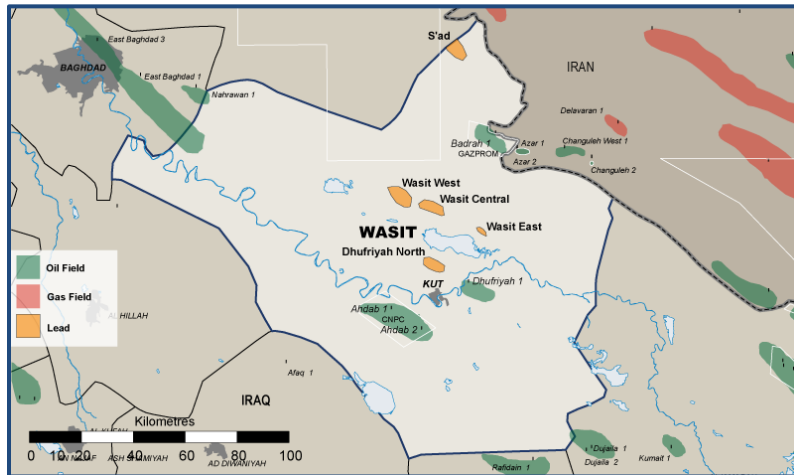
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# Wasit provincial contracts

- 20% shareholding in Amira Hydrocarbons Wasit B.V.
- Equates to 5% carried interest in exploration and production licenses in the Wasit Province
- Gross prospective resources of 1,010 mmbbl
- Operated by Oryx Petroleum
- Oryx identified five principal leads, first exploration well in first half of 2014



## Transaction rationale

### Diversification in core area

- Strengthens Petrel's position in Iraq, where it has had a presence since 1999
- Greater certainty of value to shareholders by diversifying the inherent risks associated with frontier oil and gas exploration

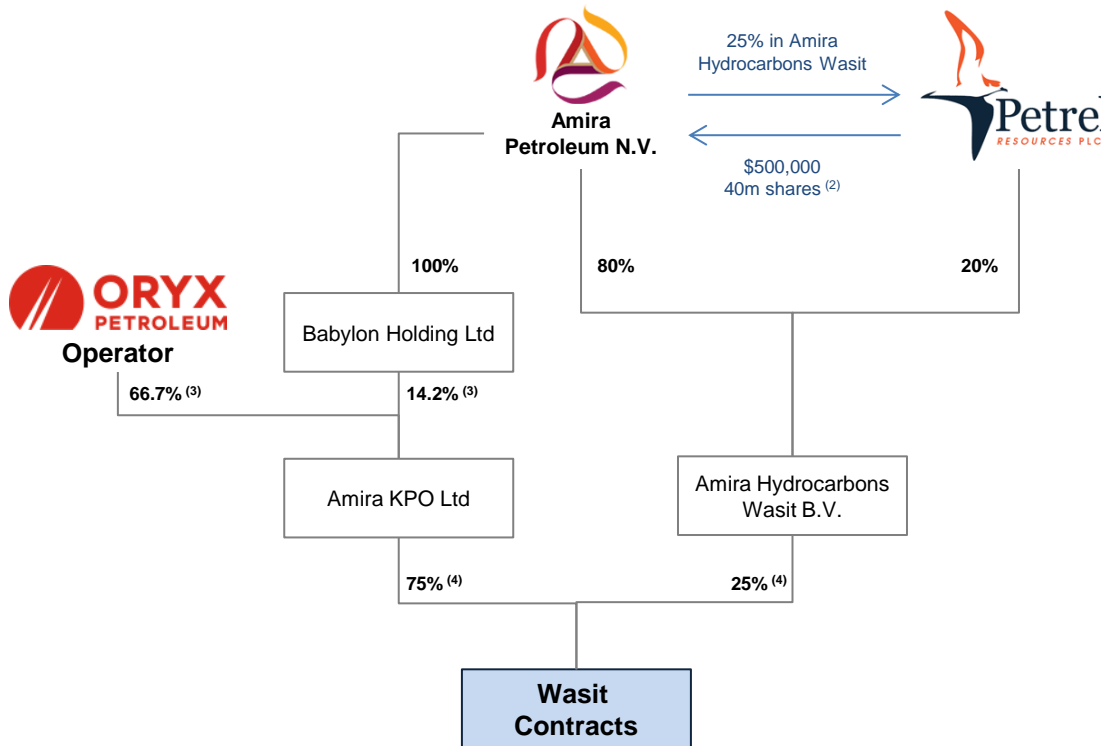
### Step change in resource potential

- NSAI independent evaluation estimates 1,010 mmbbl of best estimate unrisks gross prospective oil resources, contained in five principal leads; NPV10 \$7,695m
  - Risked resources 193 mmbbl (CoS 19%); risked NPV10 \$1,468m
- Expands Petrel's exploration programme scheduled for the next 18 months
- First exploration well in Wasit expected to be drilled in first half of 2014

### Combination of Iraq relationships and technical expertise

- Operated by Oryx Petroleum, a TSX listed E&P with market cap of \$1.4bn
- Strategic partnership with Amira's parent company, Amira Industries, allows Petrel to benefit from Amira Industries' reputation and local capability in Iraq
- Petrel given a right of first refusal to participate in future exploration and production licences in the Iraqi provinces of Muthanna, Karbala, Babil and Najaf, once secured by Amira Industries

# Acquisition structure (1)



## Commercial terms

- Amira Hydrocarbons Wasit is carried by Oryx Petroleum for all of its funding commitments in relation to its 25% interest in the Wasit licence until first production
- The consideration for the Acquisition includes an up-front cash payment of US\$500,000 and the issue of 18,947,368 initial consideration shares in Petrel
- Petrel may elect to re-acquire the initial consideration shares for a nominal amount if the spudding of the first conventional oil well has not taken place by 19 August 2018
- A further 21,052,632 shares in Petrel are to be issued in two equal tranches upon i) the spudding of the first conventional oil well in the Wasit province and ii) declaration of a commercial discovery in the Wasit Province

## Corporate governance

- Amira Hydrocarbons Wasit and Amira KPO Ltd work under the terms of a Joint Operating Agreement
- Relationship between Petrel and Amira Petroleum in Wasit governed by shareholder agreement
- One Petrel director appointed by Amira

## Notes:

- (1) Simplified structure.
- (2) Assumes deferred consideration shares issued in full.
- (3) Ownership post Oryx Petroleum exercising its KPA Option.
- (4) Ownership before Government 20% back-in, applicable to conventional oil discoveries only. Post back-in, Amira KPO and Amira Hydrocarbons interests in light oil fields will be 60% and 20%, respectively.



## Contracts terms

- Amira Hydrocarbons Wasit directly holds 25% (20% post government back-in) participating interest in three contracts with the Wasit provincial government

Agreement	Description	Commercial terms
<b>Asphalt Exploration Contract (AEC)</b>	Province grants Contractor the exclusive right to explore and produce heavy oil, asphalt, tar and bitumen deposits (<25° API)	<ul style="list-style-type: none"> <li>Licence area covers typically entire province, excluding acreage awarded by the Central Government</li> <li>Evaluation Phase: 4 years + 1 optional / Production Phase: 30 + 5 years</li> <li>80% cost recovery</li> <li>50/50 Government/Contractor profit share, post cost recovery</li> <li>Contractor exempt from taxes</li> </ul>
<b>Seismic Option Agreement (SOA)</b>	Province grants Contractor the right to collect seismic data and select blocks for oil and gas exploration and development	<ul style="list-style-type: none"> <li>Contractor may conduct up to 10,000 km 2D seismic</li> <li>5 year term with 5 year option to extend</li> <li>Contractor may select blocks in province in any configuration comprising up to 5,000km<sup>2</sup></li> <li>ROFR on award of other blocks in the province</li> </ul>
<b>Risk Exploration Contract (REC)</b>	Agreement governs the legal and commercial terms by which blocks selected under the SOA are to be explored and developed for conventional oil and gas (>25° API)	<ul style="list-style-type: none"> <li>5 year exploration term (+2 year extension); 20 + 5 year development period upon discovery</li> <li>Signing bonus to government of \$2m per 1,000km<sup>2</sup></li> <li>10% royalty</li> <li>45% cost recovery on petroleum, 55% on gas</li> <li>Government profit share of 60% to 80% on a sliding scale, based on R factor</li> <li>Contractor exempt from other taxes</li> <li>Government participation of 5% to 20% up to 180 days after first commercial discovery (liable for costs post commercial discovery)</li> </ul>

# Petroleum authority of governorates under Iraq constitution

## **The Status Quo: Federal and regional power divisions**

- The Iraqi Constitution creates a federal state, comprising a federal government, and regional or governorate governments
- There are eighteen governorates (sometimes referred to as 'provinces'), but three of them merged to form the Kurdistan Region
- The Kurdistan Regional Government ("KRG") is the first of its kind on the governorate level
- The Constitution allocates powers and authorities between the federal and regional authorities
  - Additionally, the Constitution gives regions and governorates power and authority over all matters that are not expressly stated to be exclusive federal powers
- In February 2007, the Oil and Energy Committee of the Council of Ministers developed a draft Oil and Gas Law with the goal of promoting federalism and decentralization in the industry, however this draft (nor any other) has yet to be enacted
- In the absence of a federal Oil and Gas Law as contemplated by the Constitution, the KRG has exercised its constitutional jurisdiction to award petroleum exploration and development rights

## **General jurisdiction articles (2005 Iraqi Constitution)**

- Article 110: Lists the extent of the exclusive federal authority but omits the issue of petroleum jurisdiction completely
- Article 114: Outlines the specific competencies that should be jointly shared between federal and provincial authorities; again no petroleum provisions
- Article 115: States that all powers not specified under article 110 shall fall to regional authorities
- In the event of a dispute between federal and regional shared powers, priority shall be given to the regional authorities

## **Oil and Gas Specific Articles (2005 Iraqi Constitution)**

- Article 111: Oil and gas resources are owned by all the people of Iraq in all the regions and governorates
- Article 112: The federal government with the producing governorates shall undertake the management of oil and gas extracted from current fields, provided that it distributes its revenue in a fair manner in proportion to the population distribution in all parts of the country
- The federal government, with the producing regional governorate governments, shall together formulate the necessary strategic policies to develop the oil and gas wealth in a way that achieves the highest benefit to the Iraqi people using the most advanced techniques of market principles and encouraging investment
- The debate has been whether non "current" fields (discovered but not developed or yet to be discovered) fall under federal or regional jurisdiction
- The KRG asserts exclusive jurisdiction over the petroleum exploration and development as it relates to non-producing fields, which at the time of the Constitution included all of Kurdistan's petroleum resources
- Governorates are now following the KRG model in light of the fact that the petroleum rights are the same for any region