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***Iraqi Extractive  
Industries  
Transparency  
Initiative (IEITI)***  
Oil Export and  
Field Development  
Revenues in 2010

31 January 2013



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# *Table of Contents*

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Executive Summary.....	3
Terms and Abbreviations.....	6
Introduction.....	9
Oil Sales Process.....	14
Field Developing Extraction Activities - Licensing Rounds.....	26
Reconciliation Process.....	31
Reconciliation of Reported Data.....	35
Further Transparency.....	51
Kurdistan Region.....	65
The Mining Industries in Iraq.....	80
Lessons learned from this reconciliation.....	88
Appendix 1 - Reporting entities.....	91
Appendix 2 - Instructions for completion of Templates.....	93
Appendix 3 - Reporting Templates.....	96
Appendix 4 – Validator 2009 Report Summary.....	106
Appendix 5 - DFI 2010 Statement of Proceeds of Oil Export Sales.....	111

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# *Executive Summary*

# Executive Summary

Iraq was accepted as an EITI Candidate country by the EITI Board on 10 February 2010. The first EITI report was published in December 2011. Iraq was announced as an EITI compliant country on 12 December 2012.

As part of the continuous implementation of the Extractive Industries Transparency Initiative (EITI) in Iraq, a reconciliation has been carried out on cash inflows involved in Iraq's 2010 petroleum activities. This report summarises the results of this reconciliation process, in addition to, information pertaining to the Oil and Gas Sector and the Extractive Industry in Iraq.

This report covers Iraq's crude oil export sales as reported by SOMO, which formed most of Iraq's federal budget and foreign exchange earnings for 2010. The report covers all payments made and revenues received with regard to crude oil exports during the financial year 2010, which amounted to **USD 52.2 billion**, and had resulted from crude oil sales to 34 international crude oil buyers, in addition to the Government of Jordan (Jordan Petroleum Refinery). Furthermore, the report covers the signature bonuses received from the International Field Development Oil Companies operating in Iraq, which amounted to **USD 1.65 billion**, out of which USD 500 million were in a form of a loan that is related to Al-Rumailah Oil Field contract which was later on repaid on 26 August 2012.

This report includes also a separate chapter related to Kurdistan Region reconciliation where its context was mainly prepared by the Kurdistan Region representatives. The reconciliation of this section was done based on genuine templates compiled by the MNR and the IOC's operating in the region and received from MNR. Kurdistan Region related reconciliation is compiled in the related Kurdistan Region chapter.

The reporting discrepancies disclosed in this reconciliation have been explained mainly by timing differences, or as being the result of items initially omitted in certain parties' reporting templates.

The Iraqi Extractive Industries Transparency Initiative (IEITI) Board of Trustees, together with representatives from the Iraqi Civil Society have met several times, and have reviewed and provided a commentary regarding the reporting templates. On 20 December 2012, the IEITI Board of Trustees and representatives from the Civil Society Organisations (CSOs) held a meeting during which the draft report was presented to them and discussed, where the board had approved this report.

Despite some delays, all concerned Government Entities and State Owned Companies have fully participated in the process.

In summary, the reconciliation process consisted of the following parts:

- a. Reconciliation of data on the amounts received from the buyers of the crude oil sales revenues as reported by SOMO and the buyers of crude oil;
- b. Reconciliation of data on signature bonuses received from International Field Development Oil Companies as reported by the Ministry of Oil – Petroleum Contracts and Licensing Directorate (PCLD) and the International Field Development Oil Companies operating in Iraq (IOCs).
- c. Reconciliation of data on Internal Service payments received by the National Oil Companies from the Ministry of Oil.

The table below shows a discrepancy of USD 185 million between the data reported by SOMO and the buyers. Discrepancies have been explained through the reconciliation process.

Amount Reported by SOMO USD	Amount Reported by Buyers USD	Discrepancies Explained USD	Without reporting from counterparty USD
52,202,645,106	52,387,731,813	185,086,707	0

## *Executive Summary (continued)*

Furthermore, the table below illustrates no discrepancies between data reported by PCLD and those of the IOCs.

Amount Reported by PCLD USD	Amount Reported by IOCs USD	Discrepancies USD	Without reporting from counterparty USD
1,650,000,000	1,650,000,000	0	0

During the year 2010, the Service payment amounts related to the IOCs did not exist, due to the fact that these IOCs have not reached the commercial production threshold. Consequently, no taxes have been settled by these IOCs with regard to their revenues.

As for the Internal Service payments reconciliation, there was also no discrepancies on the data reported by the Ministry of Oil – Economics Directorate and those of the National Oil Companies (converted from Iraqi dinar to US dollar). The table below illustrates no discrepancies between data reported by MoO and those of the National Oil Companies.

Amount report by MoO USD	Amount reported by National Oil Companies USD	Discrepancies USD	Without reporting from counterparty USD
553,418,803	553,418,803	0	0

We expect that the reporting will be more efficient in the future, as a result of the lessons learned during the 2010 process. Recommendations, in this regard, fall in the categories of planning, publicity of the initiative in terms of its roles and reporting guidelines, and implementation of the lessons learned from one exercise to the other.

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# *Terms and Abbreviations*

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API	The American Petroleum Institute gravity measure which indicates the density of oil.
Barrel	A quantity consisting of forty two (42) United States Gallons under a pressure of one (1) atmosphere and a temperature of sixty (60) degrees Fahrenheit.
BCM	Billion Cubic Meter.
BSA	Board of Supreme Audit.
Calendar Month or Month	In respect of any month in a Calendar Year, a period commencing on the first day of that month and ending on the last day of the same month.
Calendar Year or Year	A period of twelve (12) consecutive months commencing with the first day of January and ending with the last day of December, according to the Gregorian calendar.
Crude Oil	All hydrocarbons regardless of gravity which are produced and saved from the Contract Area in the liquid state at an absolute pressure of fourteen decimal six nine six (14.696) pounds per square inch and a temperature of sixty (60) degrees Fahrenheit, including asphalt, tar and the liquid hydrocarbons known as distillates or condensates obtained from Natural Gas at facilities within the Field other than a gas plant.
CBI	Central Bank of Iraq.
Destination	The place to which oil is shipped or directed.
DFI	Development Fund for Iraq.
Dinar or Iraqi Dinar or IQ	The currency of the Republic of Iraq.
Dollar or USD	Dollar of the United States of America.
Due date	The date on which an obligation must be repaid.
Export Oil	A standard blend of crude oil of nearest quality to the Crude Oil stream produced from the Field, out of which a Contractor may lift at the Delivery Point for the value of its due Service Fees under the Contract.
Export Oil Price	The price per barrel of Export Oil that is Free on Board (FOB) at the Delivery Point.
FRBNY	Federal Reserve Bank of New York.
Government or GoI	The Government of the Republic of Iraq.
IEITI	Iraq Extractive Industry Transparency Initiative.
IAMB	International Advisory Monitoring Board.
Internal consumption	Oil used for domestic purposes.
IOCs	International Oil Companies (International Field Development Oil Companies).
KRG	Kurdistan Regional Government.
LC	Letter of Credit.
Loading Date	The date of flanges of the relevant offshore loading terminal(s) in Iraqi and Turkish seaports where a Contractor may lift Export Oil for the value of its due and payable.

# *Terms and Abbreviations*

LPG	Liquid Petroleum Gas.
MoC	Missan Oil Company of The Republic of Iraq.
MoF	Ministry of Finance of The Republic Of Iraq.
MoO	Ministry of Oil of The Republic Of Iraq.
MIM	Ministry of Industry and Minerals
NOC	North Oil Company of The Republic of Iraq.
PCLD	Petroleum Contracts and Licensing Directorate
Production Measurement Point or PMP	The point within the Field as agreed by the Parties, where the volume and quality of Crude Oil produced and saved from the Field is measured.
OPEC	Organization of the Petroleum Exporting Countries.
Signature Bonus	The payment of a fee by an IOC to a host government, upon signing a concession license agreement (or technical service contract) with a national oil company or local oil company.
SOC	South Oil Company of The Republic of Iraq.
SOMO	Iraq Oil Marketing Company. An Iraqi entity established under and governed by the laws of Iraq, and having Monopoly on oil exports
Tax Year	The period of twelve (12) consecutive months according to the Gregorian calendar for which tax returns or reports are required according to any applicable tax laws and regulations in Iraq.

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# *Introduction*

1

# 1. Introduction

## 1.1 Background: the EITI and Iraq

The Extractive Industries Transparency Initiative (EITI) sets a global standard for transparency in the Oil, Gas and Mining Industries. EITI's objective is to achieve, by the application of its principles and criteria within the implementing countries, a standard for review, analysis and publication of revenue flows between extractive industry Companies and governments. In this manner, EITI aims to promote transparency in order to prevent corruption, and to provide citizens with a basis for demanding a fair use of revenue. Transparency is also expected to attract and enhance Foreign Direct Investment(FDIs).

### *The EITI in Iraq*

In May 2008, the Government of Iraq formally committed itself to implementing the EITI.

In January 2010, IEITI launched an event in Baghdad, in which the Prime Minister Nouri Al Maliki declared Iraq's commitment to EITI. The EITI International Board announced that Iraq had become an EITI Candidate country, after its meeting in Oslo in February of that year.

Iraq had about 141 billion barrels of proven oil reserves and 3,158 BCM of gas reserves in 2011(3.3% of OPEC total Gas reserves), making the country the third-largest Oil reserves in the world (10% of the world's total reserves), and the country with the largest oil reserves to implement the EITI to date. (Source: OPEC 2012 Annual Statistical Bulletin)

As part of its implementation of the EITI, the government of Iraq had committed itself to publishing all the revenues from its export sales in the Oil Sector. International companies buying oil from Iraq will also have to publish what they have paid to the Government. A Board of Trustees (IEITI Stakeholders' Council), which consists of representatives from the Iraqi Government, Extractive Industry Companies and Iraqi Civil Society, will review the reported information, which will then be reconciled and published in an EITI report.

Iraq was accepted as an EITI Candidate country by the Board on 10 February 2010. The first EITI report was published in December 2011. On 9 August 2012, the Iraq EITI Council agreed on a final validation report. The EITI Board had reviewed the report and on December 12, 2012 had announced Iraq as an EITI Compliant country.

## 1.2 The Iraqi Government's petroleum revenues in 2010

The Oil and Gas Industry in Iraq is fully state-owned. The EITI in Iraq will mainly focus on disclosing Iraq's revenues from its crude oil export sales in 2010, in addition to the signature bonuses received from the IOCs. It is planned that in future years, the scope of the Initiative will increase to include non-cash oil exports, as well as, revenues from the Mining Sector to the extent that it contributes to export revenues, in addition to the inclusion of the Crude Oil internal consumption.

## 1.3 What cash inflows are included in the IEITI reconciliation for financial year 2010 and how has the process been governed?

This report covers Iraq's Financial Year 2010 crude oil export sales (including all payments made and revenues received), in addition to signature bonuses received from the IOCs.

The report presents disaggregate data from all oil companies operating in Iraq (National and International), and disaggregate data from all Government Agencies, and the underlying data reported by companies and the Government. The reporting and reconciliation process have been governed by the reporting process terms of reference.

# ***1. Introduction (continued)***

## ***1.4 The discussion by the IEITI Board of Trustees regarding the materiality level used***

During its meeting number 16 held on 18 October 2012, the Board of Trustees had decided to adapt the following materiality level for the 2010 reporting process:

1. All crude oil buying companies are required to provide information on their purchases.
2. All IOCs are required to provide information on their signature bonuses, service payments and taxes settled.
3. All discrepancies that equal to or exceed 1% of total amount of each caption should be analysed and reported.

Based on the data received from oil buyers and all concerned Government Entities, the materiality level sought under this exercise were not reached.

## ***1.5 Content and objective of this report***

This report summarises the results of the second year's reconciliation of Iraq's 2010 petroleum activities. The reconciliation is comprised of cash inflows for the fiscal year ended on 31 December 2010.

This report consists of nine chapters. Chapter 1 introduces the EITI and its objectives, Iraq's implementation of the Initiative and the reconciliation logic and process presented in this report. Chapter 2 discuss the step-by-step process for the sale of oil. Chapter 3 highlights Oil Field Developing Extraction Activities – Licensing Rounds. Chapter 4 presents the reporting, compilation, and reconciliation processes used for implementing the EITI. Chapter 5 sets out the actual results of the reconciliation. Chapter 6 addresses further transparency issues. Chapter 7 highlights KRG. Chapter 8 discusses the Iraq's Extraction Mining Industry. Finally, Chapter 9 summarises the lessons learned from the first and second years' reconciliation process.

In this report, the amounts are stated in thousand US Dollars (USD), unless otherwise stated.

The information presented is the responsibility of the reporting entities as listed in appendix 1. Procedures carried out by the reconciler to collect numeric and non-numeric data, the reconciliation of information received from different parties and its compilation in a form of a report, do not constitute either an audit or a review in accordance with International Standards on Auditing or International Standards on Review Engagements, and therefore, we do not express any assurance on the reported payments. Neither the information presented in our report, nor the information reported in the reporting process, has been subject to control or verification procedures unless otherwise stated in the report. By performing additional procedures, such as a limited or full audit in accordance with globally established auditing standards, other issues may have been detected and reported. PwC assumes no responsibility whatsoever in respect to or arising from or in connection with the contents of this report to parties other than the IEITI. Accordingly, regardless of the form of action, whether in contract, tort or otherwise, and to the extent permitted by the applicable law, PwC accepts no liability of any kind and disclaims all responsibility for the consequences of any person acting or refraining to act in reliance on the contents of this report, or for any decisions made or not made which are based upon the contents of this report. If others choose to rely, in any way, on the contents of this report, they do so entirely at their own risk.

## ***1.6 The Oil and Gas Industry in Iraq***

Iraq is at the forefront of EITI implementation in the Middle East Region, following Yemen, significantly smaller oil producer, which is the only other country implementing EITI in the Region. In compliance with the UN sponsored Development Fund for Iraq (DFI), its Oil and Gas Sector is already under public scrutiny, in which the Ministry of Oil regularly publishes on its website and local media, all hydrocarbon production data and externally audited exports revenues.

# ***1. Introduction (continued)***

Iraq's Oil and Gas Sector account for most of the GDP, public revenues and its foreign exchange earnings. It is, therefore, central to Iraq's fiscal position and critical to the vitality of the Iraqi economy and the ongoing reconstruction efforts of the country, particularly with regard to oil, gas, and power infrastructure and development.

Although Iraq is endowed with approximately 12% of the world's proven oil reserves (141 billion barrels) and major natural gas reserves (at least 3,158 BCM, estimated to be 3% of the world total), actual oil production during the last ten years has only been around 2.0 - 2.4 million barrels per day (compared to a peak of about 4 million barrels per day in the 1970's). In the aftermath of the conflicts affecting Iraq in the 1990's and especially during the last ten years, oil production has plummeted (although current high oil prices have allowed Iraq to rather maintain its fiscal position) and production, transport, storage and export infrastructure have greatly suffered over the past two decades. This is due to the lack of proper and appropriate maintenance in place, which had resulted from the lack of capital for its development and, naturally, from war-related damages and acts of sabotage.

The Government of Iraq is fully focused and committed to the sound management and the optimal performance of the Oil and Gas Sector, which is considered the most significant driver of the Iraqi economy. This includes prioritising policy for the Oil and Gas Sector, adapting the legal framework to the global energy environment, and sustaining efforts to rehabilitate the country's oil production, transport, storage, and export infrastructure. Therefore, the Government considers that only the full and optimal development of its oil and gas reserves will enable Iraq to fully benefit from its large resource base, in a manner commensurate with its unrealised potential. In this respect, the recent efforts by the Government of Iraq to award service contracts to International Oil Companies (IOCs), through an innovative and highly publicised, and transparent four rounds of bidding, which were held in June 2009, December 2009, October 2010 and April 2012, had facilitated and enabled the country to develop new oil and gas fields, reverse declining output, and increase production from its existing oil and gas fields.

## ***1.7 Institutional Framework for the Petroleum Sector in Iraq***

The Ministry of Oil is at the apex of the Oil and Gas Sector in central Iraq, while KRG Ministry of Natural Resources is at the apex of the Kurdistan region, in which they handle all aspects pertaining to policy, regulation, exploration, production, marketing of oil and gas, and are structured broadly along regional and functional lines. In addition to the Ministry of Oil's Headquarter, and Oil Marketing Company (SOMO), the key components of this structure include:

- South Oil Company
- North Oil Company
- Missan Oil Company
- Midland Oil Company

Add to that other major components (including Exploration and Drilling, R&D, Transport, Pipeline Companies, Refinery Companies, Storage and Export Terminals, etc.).

The latter, though called "companies", possess some degree of operational autonomy, but are not as of yet, independent corporate structures in the generally accepted sense. Indeed, the Iraqi Government has plans for major reforms including (i) the reorganisation of the Ministry of Oil functions and structure, (ii) Public-Private Partnerships with 'Bona Fide' International Operators, in addition to strategic alliances with international oil companies, both upstream and downstream of the value chain.

# ***1. Introduction (continued)***

The current type of the centralised structure, where the Government through the Ministry of Oil owns, produces, transports, sells and accounts for all the oil produced and exported or used domestically, is a comparatively unique framework amongst the current EITI countries, and in which it poses certain implications for how EITI is designed and implemented in Iraq, as discussed further below.

- Central Iraq's Oil and Gas Sector institutional structure is dominated by the four National Oil Companies and in which the Government is the major operator for the time being. Many IOCs are moving in by means of Service Contracts, in order to improve hydrocarbon production from existing producing fields. They will shortly, be followed by other IOCs holding Production Service Contracts in promising Exploration & Production prospects, in already known highly prospective plays in yet-to-be-produced areas.
- These activities will substantially increase the need to reconcile "payments and revenues" in accordance with the EITI's unique criteria, which were tailored and adapted to reflect the evolving situation of upstream oil and gas exploitation in Iraq. This is also where metering at critical points of the value chain is of the essence. Moreover, the Ministry of Oil will need to adhere to such rigorous criteria for downstream activities, in which they were also tailored to match the Iraqi's current situation. These will, eventually, include oil and gas consumed locally for oil refineries, power generation or industrial and commercial usage.

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# *Oil Sales Process*

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## ***2. Oil Sales Process***

The sole and official exporter of Iraq's crude oil is SOMO. SOMO, created in accordance with Public Companies Law No. 22 of 1997 and the rules of procedure approved by the Minister of Oil, aims to contribute to the support of the national economy through the marketing of crude oil and natural gas outside of Iraq and crude oil inside of Iraq, including importing LPG and other products for domestic consumption, in order to maximise Iraq's economic resources and development. It is, therefore, geared towards the more stable and long-term market, rather than the volatile spot market.

In order to achieve these goals, SOMO has adopted a set of clear and transparent standards, principles and mechanisms, which are detailed as follows:

### ***2.1 Criteria for the allocation of the quantity of crude oil available for export to companies:***

The main criteria for companies eligible to purchase Iraq's crude oil is that they must be end-users/consumers of oil, such as refiners, and are summarised as follows:

- Large international oil companies, vertically-integrated medium sized oil companies (government-owned or independent), and top-rated international petroleum companies capable of refining that have extensive distribution networks in various countries.
- Refining companies specialising in the manufacturing of petroleum products and petroleum products distribution.
- National companies established to purchase crude oil for the benefit of national refineries.(e.g Japanese, Indian, Italian and Chinese national companies)

### ***2.2 The basis for determining the allocation of quantities of crude oil available for export to qualifying companies:***

SOMO bases its allocation of the quantity of crude oil that is to be sold to a qualifying company, on a set of similar principles applicable to all buyers and defined as follows:

- All quantities of Iraqi exportable crude oil (after allocation has been made for meeting the needs of the domestic refining and power market) are to be sold in the global markets according to global price formulas, in order to achieve maximum return on Iraq's resources.
- Priority, in terms of allocation, is to be given to qualifying companies that have large refining capacities, since these are able to withstand sudden price fluctuations and , at the same time, maintain the demand for Iraqi crude oil over the long-term.
- It is the intention of this policy to ensure the even distribution of Iraqi oil throughout the major world markets (American, European and Asian markets) under a sound and adjustable allocation system, which will enable exports to increase in a manner that meets world demand.

## ***2. Oil Sales Process (continued)***

### ***2.3 Contracting mechanism and the method used to implement crude oil export contracts:***

SOMO's contracts with qualified companies are based on semi-annual, annual or longer term contracts, and are engineered to operate according to the following process:

#### ***Contract Mechanism:***

1. SOMO directly invites all oil companies who meet the criteria set out in section 2.1 (those who have valid contracts or are recently identified through the selection process) to submit their projected quantity needs of Iraqi oil.
2. SOMO only reviews companies' projected quantity needs that are provided via the official e-mail of the respective company. SOMO does not deal with requests through brokers, agents, international organisations, or diplomatic missions operating in Iraq or abroad. Final volume allocation to qualifying companies is made in accordance with oil selling criteria described above.
3. SOMO also receives a number of requests (via e-mail) throughout the year from companies, brokers, agents and international organisations (other than those previously identified and directly invited) indicating their interest in buying Iraqi crude oil. The following actions are performed by a technical committee (constituted under an administrative order) comprised of specialists from SOMO:
  - Study the activities of companies or institutions that have made a request to Iraq, and to establish whether they comply with the principles and criteria applicable to the contracts with regard to the purchase of Iraqi crude oil.
  - Companies that are excluded on this basis will be informed as to why they are ineligible, and will be listed in the list of companies that are not eligible. Companies who are proved eligible are listed within the allocation tables under the new companies tab.
  - These tables are presented to SOMO's Board of Directors and to the Ministerial Committee, in which they will review and approve the Technical Committee's decisions.
4. After obtaining approval from the Minister of Oil with regard to the allocation, the eligible companies will be informed of the allocated quantity of crude oil. Upon approval of SOMO's contractual terms, a contract is finalised and shall be added to the list of qualified buyers of Iraqi crude.

#### ***Implementation of the contract:***

1. The execution of the contract begins when the Shipping & Quantities Division and the Financial Commercial Division at SOMO are provided with the contract execution details.
2. SOMO sets the date on which the shipments should be loaded and requests the purchasing company to inform the carrier to make all necessary arrangements in order to load the shipment in a timely manner. The purchasing company will officially inform SOMO on the nominated carrier. SOMO then needs to approve the carrier, which depends on the carrier's technical specifications and the specifications of the loading port.
3. The purchasing company issues an irrevocable letter of credit through a recognized bank to the benefit of the Central Bank of Iraq, prior to approving the carrier and not less than seven days of that date. The letter of credit should be issued for not less than the estimated amount of the shipment. SOMO then instructs the port to load the agreed carrier vessels accordingly, with an emphasis on the fact that the destination of the shipment may not be amended once the letter of credit has been issued.

## ***2. Oil Sales Process (continued)***

4. After completion of the loading, the port issues a bill of lading which includes the quantity loaded, the degree of density (API Gravity), date, and the final destination of crude oil and other related documents with regard to the shipment and the carrier.
5. From the date of the bill of lading referred to above, and after the period specified in the contract, SOMO will calculate and inform the purchasing company of the barrel's final price, in order for the company to settle the value of the shipment within 30 days from the date of the bill of lading.
6. Crude oil is not sold on the basis of a fixed price or a discount or a specific premium. It is rather sold using a standard pricing mechanism for all buyers and for each market obtained from international markets, in which they are globally known as the official selling price.  
*Source: Oil Marketing Company (SOMO).*

### ***Official Selling Price:***

The main reasons for implementing an Official Selling Price for SOMO's crude oil export sales are:

1. To unify prices for all buyers in each market.
2. To enhance its transparency in dealing with its crude oil buyers.
3. To avoid prices negotiations with the buyers.

### ***2.4 Crude Oil Export process through Iraq southern oil terminals:***

The below data in this section were prepared by Iraqi South Oil Company, detailing crude oil export process in executing SOMO's crude oil export sales contracts related to the southern oil terminals :

#### ***Productive Oil Fields in year 2010***

Production and export of crude oil in the southern fields in 2010 was made through ten productive fields, where oil is produced from production stations in each field, and the production capacity of each station is ranging from 10 to 200 thousand barrels per day. Afterward oil produced is collected in fixed ceilings flow tanks with minor capacities, and then stored in oil silos where each silo contains four to twenty flexible ceiling tanks with capacities between 56,000 to 82,000 cubic meters. Finally Oil is pumped to export terminals or to domestic consumption units.

## 2. Oil Sales Process (continued)

The table below includes oil fields production capacity for year 2010.

Oil Field	Production Capacity during year 2010
	Thousand Barrel per Day
Al Rumailah Northern Field	380
Al Rumailah Southern Field	642
West Qurna 1 Field	218
Al Zubair Field	196
Allihiss Field	55
Bin Omar Field	43
Al Touba Field	6
Artawi Field	18
Al Nassiriyah Field	10
Missan Fields	92
<b>Total</b>	<b>1,660</b>

### Marine Pipelines

In the past, oil vessels used to be loaded through pumping from Al FAO Silo, but during the Iraqi Iranian , Al FAO port was seriously damaged, therefore and since then the pumping is made from three silos: 1- Al Zubair Silo 1 through a pipeline with a diameter of 42 knots and a length of 92 kilometer; 2- Al Zubair Silo 2 through a pipeline with a diameter of 48 knots and a length of 105 kilometer; 3- And finally PS 1 silo through a pipeline with a diameter of 48 knots and a length of 139 kilometer.

The table below includes the details related to the aforementioned pipelines.

Pipeline Name	Number of Pipelines	Length in Kilometer	Diameter	Status
Al FAO (Basrah Terminal)	2	50	48	Operational
Al FAO (Al Umayyah Terminal)	1	46	42	Operational
Al FAO (Al Umayyah Terminal)	2	46	32	Not Operational
Al FAO - SPM 1,5	1	50	48	Not Operational
Al FAO - SPM 2,3	1	50	48	Operational
Al FAO - SPM 4	1	50	48	Not Operational (Under construction and will be operational in the third quarter of year 2013)

## 2. Oil Sales Process (continued)

### Oil Terminals

#### A. Basrah Oil Terminal:

First oil vessel was loaded in year 1953, where this terminal comprises of four loading wharfs; each one includes three loading arms. Each wharf has a loading capacity of 35,000 barrels per hour, where the designed loading capacity of the terminal is 1.8 million barrels per day, and the current operational loading capacity is 1.75 million barrels per day.

#### B. Al Umayyah Oil Terminal:

This oil terminal used to be called the deep-water terminal, where it was initially in operations in the 1970's with a loading capacity of 1.3 million barrels per day. Al Umayyah oil terminal was damaged during the Iraqi Iranian war, where its current loading capacity is 220 thousand barrels per day. This terminal comprises of four wharfs, two of them are not operational and the other two are operational. Each wharf includes four loading arms and the loading capacity of each wharf is 5,000 barrels per hour.

#### C. Single Point Mooring (SPM):

The table below includes the technical information related to the current and prospective Single Point Moorings.

Wharf Number	Status	Loading Capacity	Notes
		in Thousand Barrel per day	
SPM 1	Not Operational	900	Will be operational in the first quarter of year 2014
SPM 2	Operational	900	Operational since 7 March 2012
SPM 3	Operational	900	Operational since 19 April 2012
SPM 4	Not Operational	900	Under construction and will be operational during year 2013
SPM 5	Not Operational	900	Will be operational in the first quarter of year 2014

## 2. Oil Sales Process (continued)

### *Southern Oil Terminals Export Capacities in year 2010*

The table below includes the export capacities of the southern oil terminals during year 2010 for each oil terminal.

Month	Basrah Oil Terminal	Al Umayyah Oil Terminal	Total
	in Million Barrel per Day	in Million Barrel per Day	in Million Barrel per Day
January	44,976,536	0	44,976,536
February	45,163,785	703,098	45,866,883
March	43,995,969	697,160	44,693,129
April	42,752,736	682,309	43,435,045
May	45,045,855	1,361,239	46,407,094
June	43,233,245	669,346	43,902,591
July	44,421,372	1,365,220	45,786,592
August	44,905,992	1,323,428	46,229,420
September	45,228,272	674,783	45,903,055
October	46,244,654	1,391,004	47,635,658
November	46,017,337	1,372,291	47,389,628
December	47,396,329	690,306	48,086,635
<b>Total</b>	<b>539,382,082.00</b>	<b>10,930,184.00</b>	<b>550,312,266</b>

### *Crude Oil Exports Process*

#### A. Commercial Contracting and Vessels nomination

Oil Marketing Company (SOMO) is the responsible party for crude oil export sales contracting. Subsequent to contracting with the buyers, crude oil export process is detailed as following:

- SOMO submits to South Oil Company a monthly schedule for the related monthly sales in for execution. This schedule includes vessel name, vessel capacity, discharge destination, loading date and buyers' name.
- Upon the arrival of the vessel to the oil terminal, the vessel's captain coordinates along with SOC Operations Committee and also with SOMO in order to determine loading date and time with the terminal manager. The vessel gets anchored by the Iraqi Ports Company and takes between 3 to 6 hours through four anchoring ships.
- The vessel gets prepared for loading after examining the residual oil in the vessel, and insuring that it free from sediments. Afterward, the loading initiates according to the silos capacity after signing the safety and legal documents related to the health and customs restrictions in accordance to the international law.

## 2. Oil Sales Process (continued)

- Usually the loading takes place with the presence of measurement committee and after endorsing the meters. Afterward shipments documents are prepared which includes the following:
  - I. Shipping certificate
  - II. Manifest certificate
  - III. Origin certificate
  - IV. Quantity and quality certificate
  - V. Time management certificate
  - VI. Sediments certificate
  - VII. Receiving loaded oil sample certificate
  - VIII. Metering certificate
  - IX. Vessel availability for loading certificate
  - X. Vessel residual oil certificate
  - XI. Safety certificate
  - XII. Distribution certificate
  - XIII. Ullage certificate
  
- Upon signing all the above certificates, and when the vessel is ready to departure, SOC submit all the certificates to SOMO.

### B. Matching Process and Third Party Inspectors Role

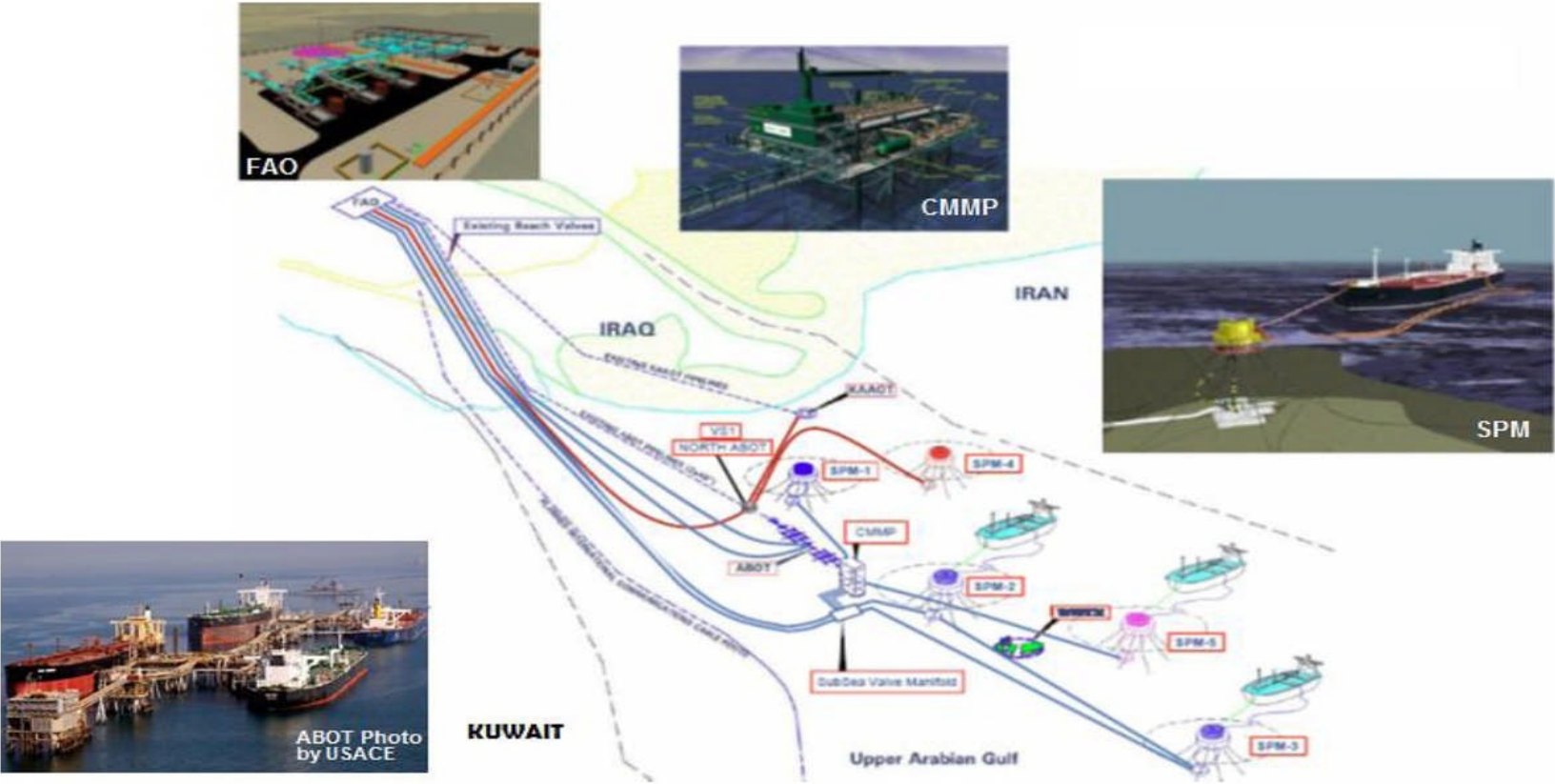
- SOMO is the responsible party to contract with third party inspectors at oil terminals, where the most known third party inspectors are SGS and INTERTEK.
- Third party inspector responsibility is to calibrate meters and to endorse oil quantities loaded to vessels, and in case of any discrepancy between the terminal meters and the vessels meters, the third party measure the loaded oil quantity through the ullage method of measurement.

### Measurement Meters at Oil Terminals

The table below includes details of the measurement meters installed at the southern oil terminals.

Location	Meter Type	Calibration Frequency	Meters Calibration Approval Date	Number of Meters	Third Party Inspector
<b>Basrah Oil Terminal</b>	Daniel Turbine Meters (US/UK)	Subsequent to each loading process	1 July 2008	24	INTERTEK SGS
<b>Al Umayyah Oil Terminal</b>	Daniel Turbine Meters (US/UK)	Subsequent to each loading process	1 January 2011	12	INTERTEK SGS

*Single Point Mooring (SPM) Plan*



## 2. Oil Sales Process (continued)

### 2.5 Distribution of Oil Export Sales by SOMO in 2010

The following table illustrates Iraqi crude oil sold to buyers as reported by SOMO in USD:

Company Name	Far East USD	USA USD	Europe USD	Total Buyers USD
1 API			344,703,335	<b>344,703,335</b>
2 BP Oil	143,668,319	2,550,762,750	135,310,488	<b>2,829,741,556</b>
3 CEPSA			776,266,563	<b>776,266,563</b>
4 Chevron	2,322,053,335	1,896,748,741		<b>4,218,802,076</b>
5 CHINA INTERNATIONAL UNITED (UNIPEC)	1,717,929,073			<b>1,717,929,073</b>
6 CHINA NATIOAL (CHINA OIL)	438,541,158			<b>438,541,158</b>
7 China Offshore Oil.	940,842,242			<b>940,842,242</b>
8 CONOCO PHILLIPS COMPANY	621,630,435	1,964,954,957	260,099,680	<b>2,846,685,072</b>
9 ENI TRDING			1,527,199,877	<b>1,527,199,877</b>
10 ERG RAFFINERIE			530,602,900	<b>530,602,900</b>
11 EXXON MOBIL SALES AND SUPPLY CORPORATION GALLOWS	158,106,340	2,055,835,404	1,480,982,492	<b>3,694,924,236</b>
12 GS CALTEXSINGAPORE PTE.LTD	544,012,278			<b>544,012,278</b>
13 HINDUSTAN PETROLEUM CORPORATION LIMITED	913,394,683			<b>913,394,683</b>
14 INDIAN OIL CORP (CHENNAI PETROLEUM CORPORATION LTD)	5,718,142,030			<b>5,718,142,030</b>
15 IPLOM			352,062,347	<b>352,062,347</b>
16 JX NIPPON OIL	1,288,369,454			<b>1,288,369,454</b>
17 KOCH SUPPLY & TRADING		725,368,657		<b>725,368,657</b>

## 2. Oil Sales Process (continued)

### 2.5 Distribution of Oil Export Sales by SOMO in 2010 (continued)

Company Name	Far East USD	USA USD	Europe USD	Total Buyers USD
18 LITASCO			445,419,141	445,419,141
19 MITSUBISHI CORP ( PETRO DIAMOND)	680,443,169			680,443,169
20 MOTOR OIL			738,773,924	738,773,924
21 NORTH PETROLEUM (ZENHUA OIL)	1,628,432,237			1,628,432,237
22 PETROBRAS (PETROLEO BRASILEIRO)		752,859,394		752,859,394
23 PETRONAS	328,518,052		115,760,734	444,278,786
24 PETROVIETNAM	288,262,177			288,262,177
25 REPSOL		143,085,073	872,855,773	1,015,940,846
26 SARAS SPA - MILANO			260,475,701	260,475,701
27 SHELL	997,645,694	298,171,026	892,182,164	2,187,998,884
28 SINOCHEM	4,150,085,117			4,150,085,117
29 SK ENERGY	1,699,316,893			1,699,316,893
30 SOCIETE ANONYME (SAMIR)			709,933,747	709,933,747
31 TOTAL	652,019,811	1,207,533,290	1,463,979,517	3,323,532,618
32 TOYOTA	1,090,643,442			1,090,643,442
33 TURKISH PETROLEUM INTERNATIONAL			1,179,297,382	1,179,297,382
34 VALERO MARKETING & SUPPLY COMPANY		1,974,987,480		1,974,987,480
<b>Total</b>	<b>26,322,055,938</b>	<b>13,570,306,771</b>	<b>12,085,905,765</b>	<b>51,978,268,474</b>

## 2. Oil Sales Process (continued)

### 2.5 Distribution of Oil Export Sales by SOMO in 2010 (continued)

Government Name	Far East USD	USA USD	Europe USD	Total Buyers USD
1 Jordan (Jordan Petroleum Refinery)	224,376,632			224,376,632

Overall Buyers (Companies and Governments)	Far East USD	USA USD	Europe USD	Total Buyers USD
35 Entities	26,546,432,570	13,570,306,771	12,085,905,765	52,202,645,106

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*Field Developing Extraction  
Activities - Licensing Rounds*

## ***3. Field Developing Extraction Activities - Licensing Rounds***

The Government of Iraq had entered into a Technical Service Contract for the rehabilitation of its oil fields, in order to increase its productivities and to maximize the revenues for the benefit of the people of Iraq.

Technical Service Contract, or TSC, refers to an oil and gas exploration and production contract awarded by a producing country to the International Oil Company (IOC) bidding with the lowest remuneration fees per barrel (RFB) produced as reward of its capital and operational expenditures.

The government of Iraq had conducted its four licensing rounds during the period from year 2009 till the date of this report.

### ***3.1 First Licensing Round (2009):***

By early 2008, International Oil Companies (IOCs) were invited to pre-qualify for a bidding process. Many experts in resource transparency regard the bidding process as the most effective way to manage both the dangers of corruption and asymmetry of information between governments and companies at the production award stage.

On February 18, 2008 the Government announced some thirty five international companies (including most of the so-called "majors" had passed the pre-qualification stage) out of a total of one hundred and forty companies who applied. The Government announced that there would be two main criteria in which all bidders would be assessed. First, the production plateau offered by a consortium for any given field, where the higher the production they were guaranteeing the better. Second, the remuneration fee the consortium would accept per barrel it will produce once it reached the plateau - the lower the fee, the higher the companies would score.

The contracts specify that the Iraqi state partners would cover the costs of development but the terms and means of evaluating this cost recovery have not been published up to the date of this report. The oil fields offered were Rumaila, Kirkuk, Zubair, Maysan, West Qurna Phase 1 and Bai Hassan. The gas fields of Akkas and Mansuriya, which were part of the first licensing round, were due to be offered again in the third round which was held on October 2010.

Twenty two companies have participated in the licensing round which took place on 29 June 2009, making offers for six oil fields and one gas field, as leaders or members of consortia. One gas field, Mansuriya was not awarded.

China's CNPC was the most aggressive, it was part of five consortiums in five bids, followed closely by Malaysia's Petronas which was part of four consortiums, followed by Oil majors, Exxon Mobil and Royal Dutch Shell, Turkey's TPAO and China's Sinopec who participated in three consortiums each. BP, ConocoPhillips, China's CNOOC and Korea's Kogas participated in two bids. The remaining twelve companies participated in bids for one field each.

### ***3.2 Second Licensing Round (2009):***

The second licensing round offered by the Ministry of Oil took place on 11-12 December 2009. The terms and process of the second round were similar to the first, which saw the re-entry into Iraq of international oil companies for the first time since nationalization of the industry in the 1970s.

Ten major oil fields were part of the second licensing round, which produced deals for seven of those fields (Halfaya, Majnoon, Qayara, Badra, Garraf, Najmah and West Qurna 2). The three fields that were not awarded were East Baghdad, the Eastern Fields and Middle Furat.

## ***3. Field Developing Extraction Activities - Licensing Rounds (continued)***

The lead time to complete the bidding process for the second round was more efficient and required less time to complete as compared to the first round because the preliminary work had been done.

Overall, forty IOCs prequalified for the second bidding round

There were seventeen bidding consortia, and the seven winning consortia gained access to fields with proven reserves of 32 billion barrels of oil. The production projections from the successful bidders, in the second round, have the potential to add about 4.765 million barrels of oil to its daily production.

### ***3.3 Third Licensing Round (2010):***

After launching its first and second licensing rounds in 2009, Iraq held its third licensing round on 20 October 2010 for three gas fields: Akkas, holding an estimated 158 billion cubic meters (bcm) of natural gas, Mansuriya, holding approximately 130 bcm, and Siba, holding about 31 bcm.

The contracts awarded to one IOC and two Consortia in the third licensing round but the Government waived the signature bonuses, a significant departure from the first two rounds requirements; however this has sweetened the deal for the bidders but affected the immediate income the Government would generate at upon signing. Moreover, the annual commitment of USD 5 million required by bidders to the Training, Technology and Scholarship Fund by which contractors provide the on-job training for Iraqi nationals and promote research in oil and gas technology in previous rounds was reduced to USD1 million.

The gas produced will be used domestically for power plants and the petrochemical industry mainly. The surplus will be exported.

All three deals will run for twenty years, and the development of the three fields will require significant foreign investment. TPAO and its partners expect to invest approximately USD 2.5 billion in the Mansuriya field and USD 1 billion in Siba. While Kogas' expected investment in the Akkas field has not been published yet.

### ***3.4 Fourth Licensing Round (2012):***

Iraq's fourth licensing round took place on 30-31 May 2012 and included areas that have not yet been explored, as well as newly discovered fields that have not been exploited ( Virgin Oil Fields).

In April 2011, the Ministry of Oil announced that twelve blocks would be included in the round, located in the provinces of Nineweh, Diyala, Wasit, Basra, Muthanna, Qadisiya and Babel, as well Najaf, Karbala, Samawa, Diwaniya and Anbar, which were not included in the previous rounds.

Seven of the twelve blocks are gas-prone fields, while the rest have oil potential, holding a combined 29 billion cubic meters (bcm) of gas and 10 billion barrels of crude oil.

The fourth licensing round is the first to offer exploration contracts compared to the technical service contracts offered in the past three rounds.

International Oil Companies (IOCs) that qualified for the previous three licensing rounds had been automatically qualified for the fourth, whether or not a contract had been signed in previous rounds. As of December 2011 till the date of the fourth licensing round, forty seven companies had been pre-qualified.

## ***3. Field Developing Extraction Activities - Licensing Rounds (continued)***

The contract models of the fourth licensing round will feature several changes from the previous three rounds.

The remuneration fee, or the amount the government pays to the companies for each barrel of oil produced, is calculated differently in the new contracts. Under the new remuneration formula, companies (the contractors) will not be paid for oil, in which they pay subcontractors to produce. The Iraqi government will deduct the cost of subcontracts from the total production and then pay the remuneration on the remaining production. In other words, if the total production is 1 million barrels and the contractor had spent 300,000 barrels on a subcontractor, the contractor will receive a payment for the remaining production only or 700,000 barrels. This new formula is aimed at cutting the cost of subcontracts and effectively ties companies' compensation to their cost-efficiency.

Another change from previous rounds is the criteria on which bids are assessed. Previous rounds took into account both the remuneration fee each bidder would charge and the amount of oil they agreed to produce. In the fourth round, with many of the bidding areas yet to be explored and given that the actual production is therefore less certain, the remuneration fee is the only criterion. Under the new deal, contractors will also face restrictions on their ability to pump oil and gas, in order to avoid over-supplying the market and overwhelming Iraq's underdeveloped infrastructure.

As a result of the fourth licensing round, block No.8 of Diyala governorate was gained by Pakistan Petroleum. The coalition of (Kuwait Energy), (TPAO Turkish) & (Dragon Emirates) gained the exploration contract to invest and rehabilitate the exploratory block No.9 which is 900 square kilometers with carbonic prospects (oil) located in the Basra governorate. The coalition of (Lukoil Russia) and (Inpex Japan) gained the exploration contract of block No.10 which covers parts of the Qadisya & Muthanna governorates. In addition, the Oil block No.12 of the governorates of Muthana and Najaf had been awarded to the Bashneft Oil Company of Russia.

The benefit of this licensing round is that the exploratory blocks demand three stages which are the rehabilitation, development, and up-streaming aiming to raise the accurate reserves of oil & gas.

### ***3.5 Tax Structure for the standardized Technical Service Contracts held in the Four Licensing Rounds***

According to the standardised Technical Service Contracts held in Iraq's four licensing rounds is that the sole tax liability of Contractors (IOCs) under the TSC Contracts shall not exceed corporate income tax levied at a rate not to exceed thirty five percent (35%) of Contractor's taxable profit under the Law which shall, as between the Contractors and the Regional Operating Companies (MoO entity), be deemed to be the Remuneration Fee received during the relevant Tax Year.

### ***3. Field Developing Extraction Activities - Licensing Rounds (continued)***

#### ***3.6 Signature Bonuses Received in year 2010***

<b>Company Name / Consortium</b>	<b>Contracted Oil Field</b>	<b>Signature Bonus as per the PCLD In Million USD</b>
<b>British Petroleum – Petrochina</b>	<b>Rumaila</b>	<b>*500 (Loan)</b>
<b>ENI - Occidental – Kogas</b>	<b>Zubair</b>	<b>100</b>
<b>EXXONMOBIL – Shell</b>	<b>West Qurna 1</b>	<b>100</b>
<b>CNOOC – TPAO</b>	<b>Missan Oil Fields</b>	<b>100</b>
<b>Lukoil - Statoil (Statoil share was acquired by Lukoil in year 2012)</b>	<b>West Qurna 2</b>	<b>150</b>
<b>Shell – Petronas</b>	<b>Majnoon</b>	<b>150</b>
<b>Petronas - Petrochina – Total</b>	<b>Halfaya</b>	<b>150</b>
<b>Petronas – Japex</b>	<b>Garraf</b>	<b>100</b>
<b>Gazprom - Petronas - Kogas – TPAO</b>	<b>Badra</b>	<b>100</b>
<b>Sonangol</b>	<b>Qaiyarah</b>	<b>100</b>
<b>Sonangol</b>	<b>Najma</b>	<b>100</b>
<b>Total</b>		<b>1,650</b>

\* This loan was repaid on 26 August 2012.

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# *Reconciliation Process*

4

## ***4. Reconciliation Process***

The basis of any successful and effective reconciliation is to match the appropriate data, where these appropriate data had to be relevant and from the proper sources., such as the Iraqi Ministry of Oil where it had received its data mainly from National Oil Companies (NOC, MOC & SOC), which had received their related data from their fields. SOMO had received its data directly from its records where it controls and oversight crude oil export sales. The MoF obtains mainly its data from the Central Bank of Iraq for sales, and the IOCs prepare their data based on their records.

In summary, the reconciliation process consists of the following steps:

- a. The Iraq Ministry of Oil (MoO) and SOMO are to provide data based on the contents received from North Oil Company, Missan Oil Company and South Oil Company in terms of quantities of crude oil extracted;
- b. North Oil Company, Missan Oil Company and South Oil Company are to provide data based on the contents delivered to SOMO in terms of quantities of crude oil extracted for export purposes. The MoO consolidates data received from all entities;
- c. SOMO is to provide data with regard to the amounts received from the buyers for the crude oil sales revenues;
- d. The buyers are to provide data with regard to the amounts paid to SOMO for the crude oil sales;
- e. The MoO and SOMO are to provide data based on the contents received from the International Field Developing Companies in terms of quantities of crude oil extracted and any related amounts paid or received;
- f. International Field Development Companies are to provide data regarding the quantities of crude oil extracted and any amounts paid or received related to their operations;
- g. North Oil Company, Missan Oil Company and South Oil Company are to provide data related to their received Internal Service payments;
- h. The MoO is to provide data related to what had been paid to North Oil Company, Missan Oil Company and South Oil Company related to the Internal Service payments;
- i. To reconcile any differences in the figures between (a) and (b), (c) and (d), (e) and (f), and finally (g) and (h) since any differences may indicate leakage in revenue streams caused by various reasons that range from a lack of proper and appropriate accounting systems to a possible case of corruption or misappropriation of revenues.

### ***4.1 Reporting templates***

PwC has developed standard reporting templates (appendix 3) in order to facilitate the reporting process by the licensees, governmental agencies and buyers of crude oil. These templates have been tailored to include the most relevant data with regard to the reconciliation process and cash inflows. These templates aimed at disclosing all material payments, (including materiality definition and reporting templates) and have been thoroughly reviewed by all concerned members of the Board of trustees, including government entities, IOCs, National Oil Companies and Civil Society Organizations, prior to their endorsement by the IEITI Board of Trustees for its implementation.

## 4. Reconciliation Process (continued)

### 4.2 Data collection

On September 17, 2012 the Board of Trustees issued instructions, including reporting templates and copies of the regulations and guidelines, requesting governmental entities and crude oil buyers (buyers) to report all required data in accordance with the EITI regulations. The reporting templates were sent electronically via email. The entities and buyers were required to report directly to the reconciler, (PwC), to whom they were also requested to direct any questions on reporting templates.

As of December 13, 2012 PwC had received 34 responses out of 34 buyers whom purchased Iraqi Crude Oil for the year 2010, in addition to the Government of Jordan (Jordan Petroleum Refinery). Furthermore, as of December 18, 2012 PwC had also received 16 responses from the 16 IOCs operating in Central Iraq.

### 4.3 Reporting of cash flows to the DFI accounts

Cash receipts are recorded when funds are deposited in the Development Fund for Iraq (DFI) bank accounts at the Federal Reserve Bank of New York (FRBNY).

According to 2010 DFI audited financial statements, the total export sales of petroleum was Thousand USD 52,202,645 as reported by SOMO, which agree to SOMO's reporting template regarding the overall export sales for year 2010. (Refer to appendix 5)

Total Export Sales as per DFI report	Total Export Sales as reported by SOMO	Discrepancies
In Thousand USD	In Thousand USD	In Thousand USD
52,202,645	52,202,645	0

United Nation Security Council Resolution (UNSCR) 1483 (2003), which was adopted by the Security Council on 22 May 2003, called for the creation of the DFI to administer proceeds from export sales of petroleum and petroleum products by Iraq. The DFI was placed under the control of the former Coalition Provisional Authority (CPA).

UNSCR 1483 also called for the creation of an International Advisory Monitoring Board (IAMB) including representatives from several International Financial Institutions such as the World Bank and the IMF and many other UNSCR countries. The Iraqi Committee of Financial Experts (COFE) took over the task of IAMB in January 2011, in order to promote transparency and financial accountability with regard to the DFI.

The DFI consists of bank accounts held with the FRBNY and managed by the Central Bank of Iraq (CBI) on behalf of the Iraqi Ministry of Finance (MoF).

In accordance with UNSCR 1483 (2003), 95% of the proceeds from export sales of petroleum, petroleum products and natural gas from Iraq are to be deposited in the DFI accounts.

### Export sales of petroleum, petroleum products, and natural gas

According to the UNSCR 1483, all export sales of petroleum, petroleum products, and natural gas from Iraq after the date in which the resolution had been adopted, shall be deposited into an Oil Proceed Receipt Account (OPRA) held with the FRBNY and immediately thereafter, 95% is required to be deposited in the DFI accounts at the FRBNY. The remaining 5% is required to be deposited in the United Nations' Compensation Fund as established by UNSCR 687 (1991) and subsequent relevant resolutions, and therefore, will not be a part of the DFI's statement of cash receipts and payments.

## ***4. Reconciliation Process (continued)***

### ***4.4 Compilation of data and resolution of discrepancies***

The process of compiling the reported data and resolving /justifying discrepancies was carried out between September and December 2012.

PwC performed the following procedures:

- 1) Figures reported by government entities and buyers were compiled item by item against the government's reported figures. Based on this compilation, any discrepancies have been specified item by item in relation to each government entity and buyer.
- 2) Where data reported by governmental entities and buyers agreed with the data reported by the government, the government's figures were considered to be confirmed and no further follow-up was undertaken.
- 3) Government entities and the buyers were inquired to provide further details of the amounts (dates and figures). This has helped justifying most of the discrepancies.

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# *Reconciliation of Reported Data*

5

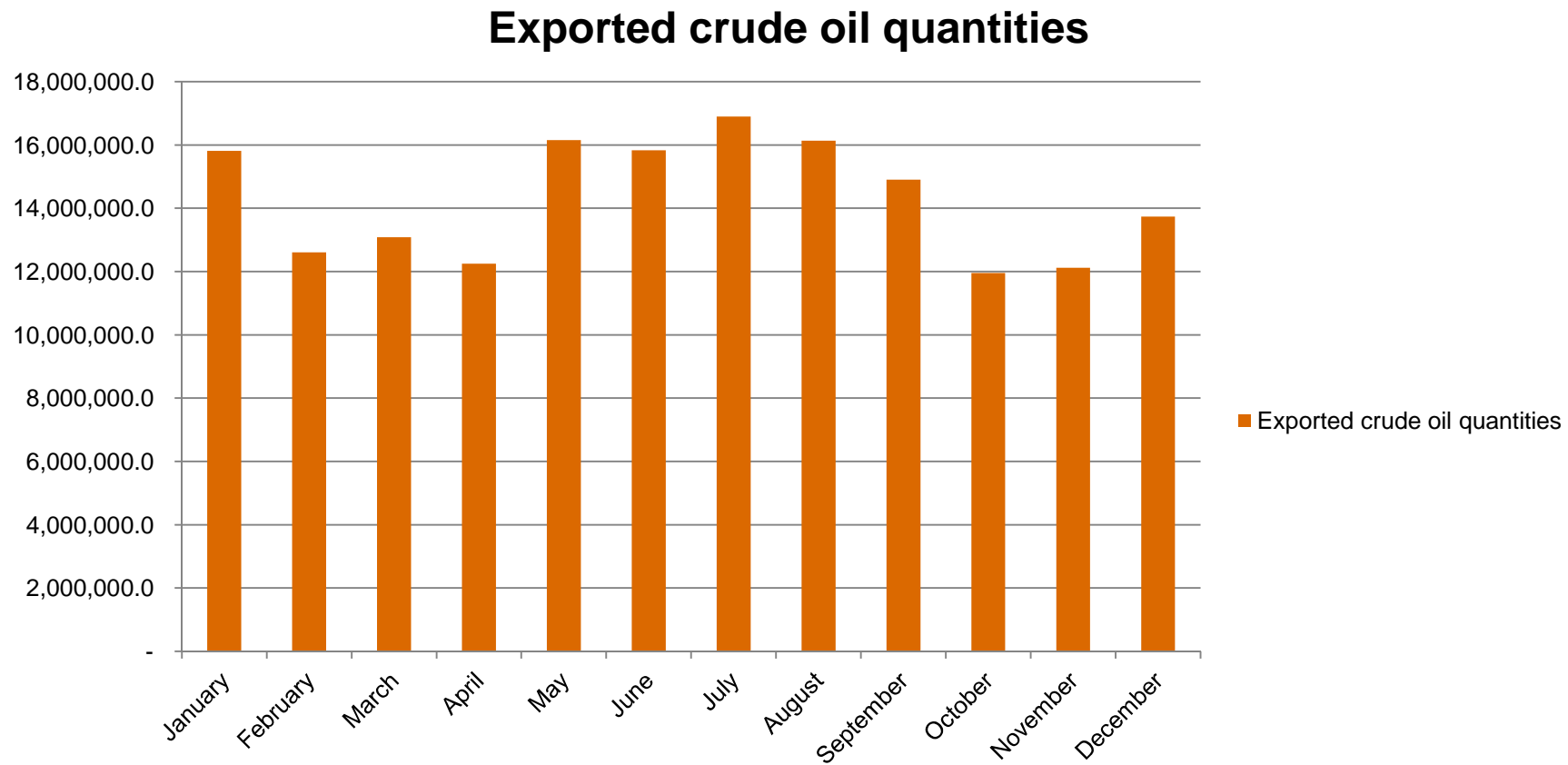
## 5. Reconciliation of Reported Data

### 5.1 Extracted for export crude oil quantities (in barrels) reconciliation between Ministry of Oil, North Oil Company and SOMO

Month	Extracted for export crude oil quantities reported by MoO	Extracted for export crude oil quantities reported by NOC	Extracted for export crude oil quantities reported by SOMO	Variances
January	14,730,029.00	14,730,029.00	14,730,029.00	0.00
February	12,727,381.00	12,727,381.00	12,727,381.46	-0.46
March	13,072,782.00	13,072,782.00	13,072,781.92	0.08
April	10,260,066.00	10,260,066.00	10,260,065.82	0.18
May	13,636,571.00	13,636,571.00	13,636,570.60	0.40
June	11,523,721.00	11,523,721.00	11,523,720.76	0.24
July	11,903,739.00	11,903,739.00	11,903,739.11	-0.11
August	10,512,391.00	10,512,391.00	10,512,390.61	0.39
September	15,386,856.00	15,386,856.00	15,386,855.95	0.05
October	12,450,203.00	12,450,203.00	12,450,205.20	-2.20
November	11,339,661.00	11,339,661.00	11,339,661.20	-0.20
December	13,085,684.00	13,085,684.00	13,085,684.41	-0.41
<b>Total</b>	<b>150,629,084.00</b>	<b>150,629,084.00</b>	<b>150,629,086.04</b>	<b>-2.04</b>

## 5. Reconciliation of Reported Data (continued)

### 5.1 Extracted for export crude oil quantities (in barrels) reconciliation between Ministry of Oil, North Oil Company and SOMO



## 5. Reconciliation of Reported Data (continued)

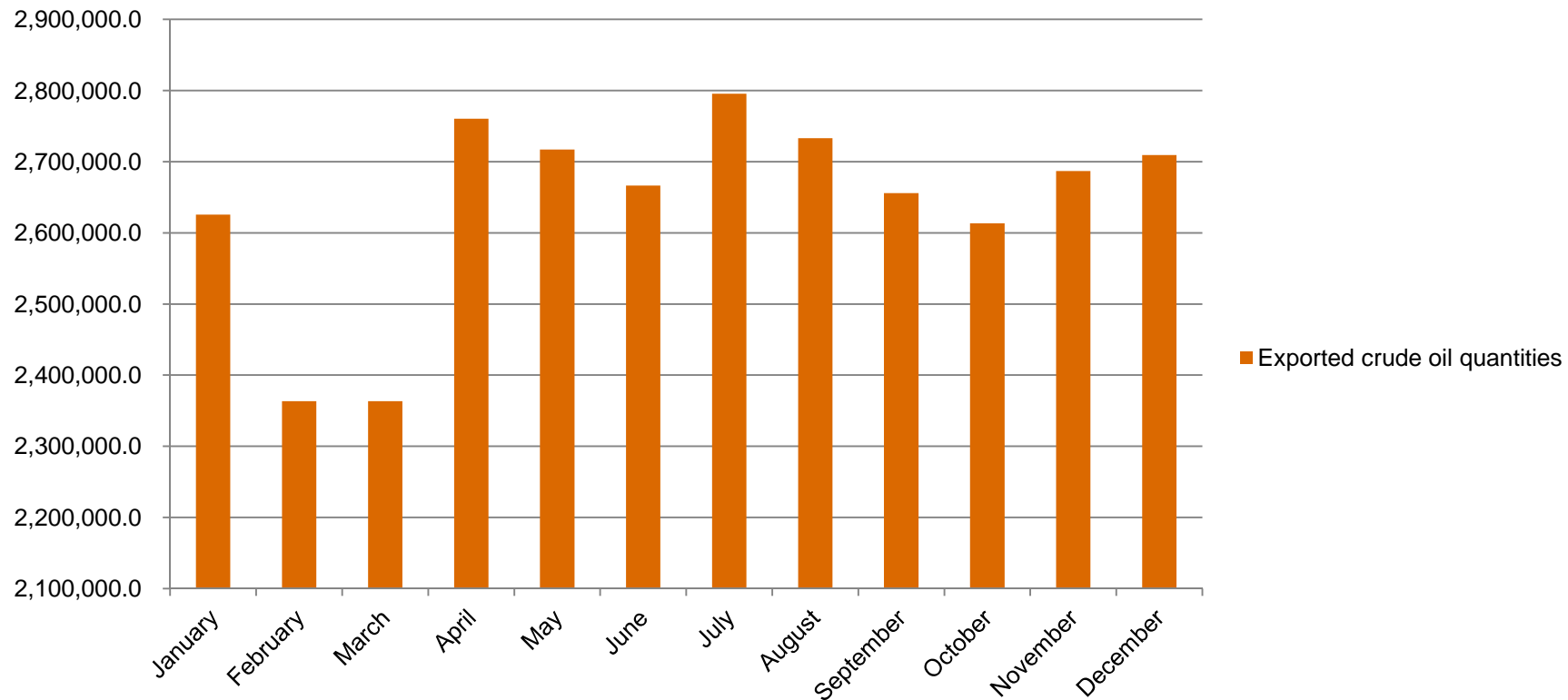
### 5.2 Extracted for export crude oil quantities (in barrels) reconciliation between Ministry of Oil, Missan Oil Company and SOMO

Month	Extracted for export crude oil quantities reported by MoO	Extracted for export crude oil quantities reported by MOC	Extracted for export crude oil quantities reported by SOMO	Variances
January	2,625,711	2,625,711	2,625,711	0
February	2,363,225	2,363,225	2,363,225	0
March	2,363,473	2,363,473	2,363,473	0
April	2,760,523	2,760,523	2,760,523	0
May	2,716,999	2,716,999	2,716,999	0
June	2,666,434	2,666,434	2,666,434	0
July	2,795,613	2,795,613	2,795,613	0
August	2,732,945	2,732,945	2,732,945	0
September	2,655,821	2,655,821	2,655,821	0
October	2,613,253	2,613,253	2,613,253	0
November	2,686,772	2,686,772	2,686,772	0
December	2,709,527	2,709,527	2,709,527	0
<b>Total</b>	<b>31,690,296</b>	<b>31,690,296</b>	<b>31,690,296</b>	<b>0</b>

## 5. Reconciliation of Reported Data (continued)

### 5.2 Extracted for export crude oil quantities (in barrels) reconciliation between Ministry of Oil, Missan Oil Company and SOMO

Exported crude oil quantities



## 5. Reconciliation of Reported Data (continued)

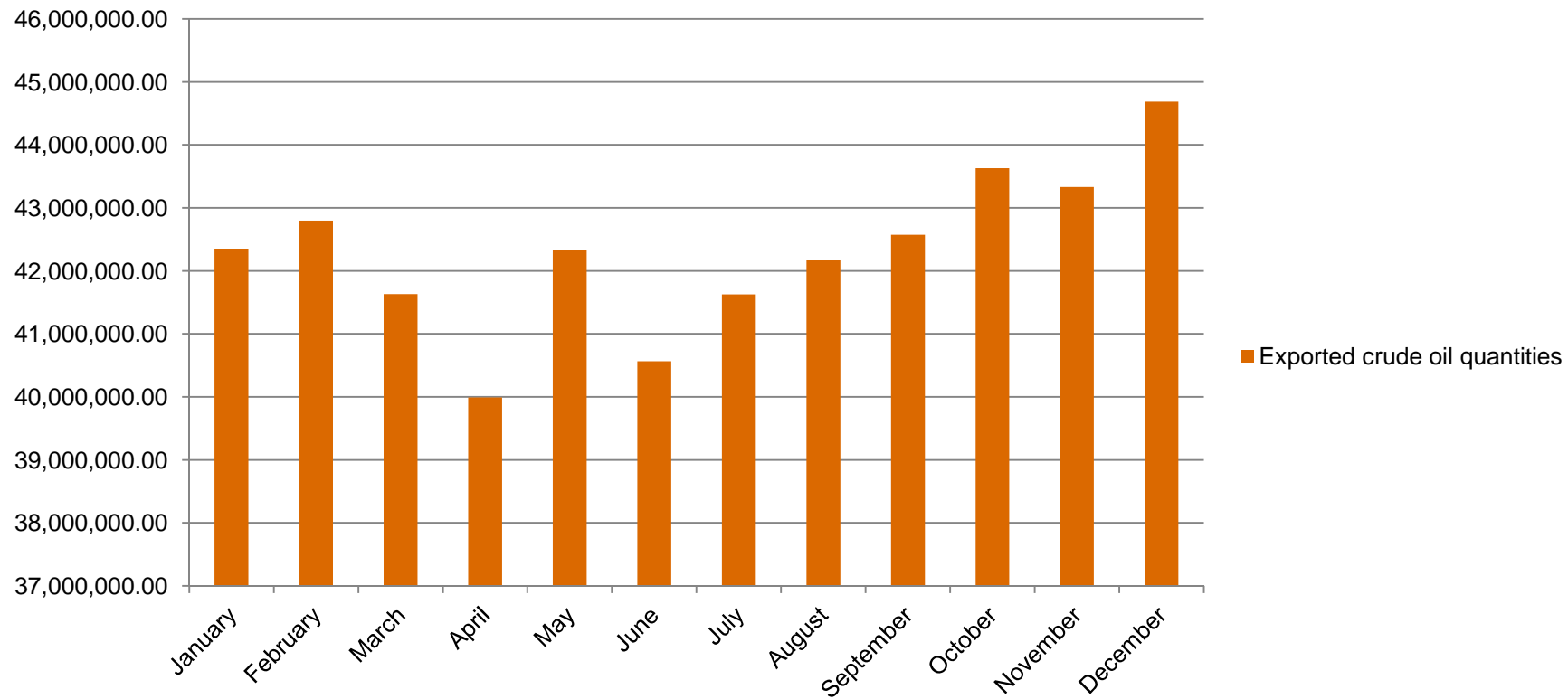
### 5.3 Extracted for export crude oil quantities (in barrels) reconciliation between Ministry of Oil, South Oil Company and SOMO

Month	Extracted for export crude oil quantities reported by MoO	Extracted for export crude oil quantities reported by SOC	Extracted for export crude oil quantities reported by SOMO	Variances
January	42,350,825.00	42,350,825.00	42,350,825.00	0
February	42,800,560.00	42,800,560.00	42,800,560.00	0
March	41,632,496.00	41,632,496.00	41,632,496.00	0
April	39,992,213.00	39,992,213.00	39,992,213.00	0
May	42,328,856.00	42,328,856.00	42,328,856.00	0
June	40,566,811.00	40,566,811.00	40,566,811.00	0
July	41,625,759.00	41,625,759.00	41,625,759.00	0
August	42,173,047.00	42,173,047.00	42,173,047.00	0
September	42,572,451.00	42,572,451.00	42,572,451.00	0
October	43,631,401.00	43,631,401.00	43,631,401.00	0
November	43,330,565.00	43,330,565.00	43,330,565.00	0
December	44,686,802.00	44,686,802.00	44,686,802.00	0
<b>Total</b>	<b>507,691,786.00</b>	<b>507,691,786.00</b>	<b>507,691,786.00</b>	<b>0</b>

## 5. Reconciliation of Reported Data (continued)

### 5.3 Extracted for export crude oil quantities (in barrels) reconciliation between Ministry of Oil, South Oil Company and SOMO

Exported crude oil quantities



## 5. Reconciliation of Reported Data (continued)

### 5.4 Exported Crude Oil reconciliation by shipments, invoices and payments, between SOMO and buyers for the year 2010

	Company Name	SOMO	Buyer	Variance	Note
1	ApiOil Limited	344,703,335.26	344,703,335.26	-	
2	BP Oil International Limited	2,829,741,556.36	3,116,331,924.06	(286,590,367.70)	A
3	CEPSA (Compania Espanola De Petroleos, SA)	776,266,562.74	776,266,562.73	0.01	
4	CHEVRON PRODUCTS COMPANY (A division of Chevron USA, Inc.)	4,218,802,076.03	4,391,834,059.61	(173,031,983.58)	B
5	CHINA INTERNATIONAL UNITED PETROLEUM AND CHEMICALS (UNIPEC)	1,717,929,073.14	1,717,929,073.12	0.02	
6	CHINA NATIOAL UNITED OIL CORPORATION (CHINA OIL)	438,541,157.89	438,541,157.89	0	
7	CHINA OFFSHORE Oil (Singapore) International	940,842,241.60	940,842,241.59	0.01	
8	CONOCO PHILLIPS COMPANY (Phillips 66 International Trading Pte. Ltd.)	2,846,685,072.00	3,051,484,596.21	(204,799,524.21)	C
9	ENI TRADING AND SHIPPING S.P.A.	1,527,199,877.05	1,610,480,285.13	(83,280,408.08)	D
10	ERG RAFFINERIE	530,602,899.61	530,602,899.61	0	
11	EXXON MOBIL SALES AND SUPPLY	3,694,924,235.92	3,694,924,235.92	0	
12	GS CALTEX SINGAPORE PTE.LTD	544,012,277.81	544,012,277.80	0.01	
13	HINDUSTAN PETROLEUM CORPORATION LIMITED	913,394,682.50	913,394,682.49	0.01	
14	INDIAN OIL CORP (CHENNAI PETROLEUM CORPORATION LTD)	5,718,142,030.14	5,554,722,749.75	163,419,280.39	E
15	IPLOM INTERNATIONAL S.A.	352,062,347.42	352,062,347.41	0.01	
16	JX NIPPON OIL AND ENERGY CORPORATION	1,288,369,454.30	1,281,714,936.14	6,654,518.16	F
17	KOCH SUPPLY & TRADING S.A.	725,368,656.60	725,368,656.60	(0.00)	
18	LITASCO (LukOil International Trading and Supply Company)	445,419,140.59	490,291,339.20	(44,872,198.61)	G
19	mitsubishi corp ( PETRO DIAMOND COMPANY LIMITED)	680,443,169.00	819,240,119.77	(138,796,950.77)	H
20	MOTOR OIL (HELLAS)	738,773,923.80	738,773,923.78	0.02	
21	NORTH PETROLEUM (CHINA ZENHUA OIL CO. LTD.)	1,628,432,237.36	1,422,112,695.40	206,319,541.96	I
22	PETROBRAS (PETROLEO BRASILEIRO S.A.)	752,859,394.36	752,859,394.35	0.01	

## 5. Reconciliation of Reported Data (continued)

### 5.4 Exported Crude Oil reconciliation by shipments, invoices and payments, between SOMO and buyers for the year 2010

	Company Name	SOMO	Buyer	Variance	Note
23	PETRONAS TRADING CORPORATION SDN BHD (PETCO)	444,278,786.18	444,278,786.18	(0.00)	
24	PETROVIETNAM OIL CORPORATION (PV OIL)	288,262,176.52	288,262,176.52	0	
25	REPSOL TRADING S.A.	1,015,940,845.82	1,015,940,845.81	0.01	
26	SARAS S.P.A. – MILANO	260,475,700.96	260,475,700.96	0	
27	SHELL INTERNATIONAL EASTERN TRADING COMPANY LIMITED	2,187,998,884.05	2,187,998,884.05	0	
28	SINOCHEM INTERNATIONAL OIL (LONDON) CO. LTD.	4,150,085,117.07	3,920,922,978.57	229,162,138.50	J
29	SK ENERGY EUROPE LIMITED	1,699,316,893.12	1,699,316,893.11	0	
30	SOCIETE ANONYME MAROCAIN DE L'INDUSTRIES DU RAFFINAGE (SAMIR)	709,933,747.05	709,933,747.05	0	
31	TOTSA (TOTAL OIL TRADING S.A.)	3,323,532,617.78	3,472,099,661.89	(148,567,044.11)	K
32	TOYOTA TSUSHO CORPORATION	1,090,643,442.38	762,596,627.14	328,046,815.24	L
33	TURKISH PETROLEUM REFINERIES CORP. (TUPRAS)	1,179,297,382.10	1,179,297,382.10	0	
34	VALERO MARKETING AND SUPPLY COMPANY	1,974,987,479.87	2,013,738,003.57	(38,750,523.70)	M
	<b>Total</b>	<b>51,978,268,474.38</b>	<b>52,163,355,180.80</b>	<b>(185,086,706.42)</b>	

	Government Name	SOMO	Buyer	Variance	Note
1	Jordan (Jordan Petroleum Refinery)	224,376,631.97	224,376,631.97	0	

	Overall Buyers (Companies and Governments)	SOMO	Buyer	Variance	Note
	<b>35 Entities</b>	<b>52,202,645,106.35</b>	<b>52,387,731,812.77</b>	<b>(185,086,706.42)</b>	

## 5. Reconciliation of Reported Data (continued)

Several discrepancies were identified based on the reconciliation work performed. The discrepancies have been explained without undue difficulty. The reporting entities have been very responsive and cooperative in contributing to the reconciliation.

### 5.5 Discrepancies

Discrepancies noticed during the reconciliation process resulted from the following:

- 1) Some buyers reported shipments that were loaded in the year 2009, where its related due dates were in year 2010. These shipments were not reported by SOMO in the year 2010 where SOMO had reported its actual shipments that had accrued during year 2010. (December 2009 shipments)
- 2) SOMO reported shipments that were loaded in year 2010, where its related due dates were in the year 2011. These shipments were not reported by the buyers for in 2010 since its related due dates were in the year 2011. (December 2010 shipments)

Reference (From Section 5.4)	Description of Difference	Shipments reported by SOMO and not reported by the Buyer	Shipments reported by the Buyer and not reported by SOMO	Variance
		USD	USD	USD
<b>A</b>	Two shipments were loaded in year 2009 with due dates in year 2010		286,590,367.70	<b>286,590,367.70</b>
<b>B</b>	Two shipments were loaded in year 2010 with due dates in year 2011 Demurrage related to four shipments Four shipments were loaded in year 2009 with due dates in year 2010	(343,939,797.64)	(2,347,560.15) 519,319,341.37	<b>173,031,983.58</b>
<b>C</b>	Two shipments were loaded in year 2009 with due dates in year 2010 Difference related to amended price to reflect freight fees		195,047,812.35 9,751,711.86	<b>204,799,524.21</b>
<b>D</b>	Two shipments were loaded in year 2009 with due dates in year 2010		83,280,408.08	<b>83,280,408.08</b>
<b>E</b>	Two shipments were loaded in year 2010 with due dates in year 2011  Demurrage related to seven shipments	(597,415,067.48)	441,738,463.42 (7,742,676.33)	<b>(163,419,280.39)</b>
<b>F</b>	One shipment reported by SOMO and had been mistakenly omitted by the buyer  One shipment was loaded in year 2009 with due date in year 2010	(154,603,145.23)	147,948,627.07	<b>(6,654,518.16)</b>
<b>G</b>	One shipment was loaded in year 2009 with due date in year 2010		44,872,198.61	<b>44,872,198.61</b>
<b>H</b>	One shipment was loaded in year 2009 with due date in year 2010 Demurrage related to two shipments		140,104,918.69 (1,307,967.92)	<b>138,796,950.77</b>

## 5. Reconciliation of Reported Data (continued)

Reference (From Section 5.4)	Description of Difference	Shipments reported by SOMO and not reported by the Buyer	Shipments reported by the Buyer and not reported by SOMO	Variance
		USD	USD	USD
<b>I</b>	Two shipments were loaded in year 2010 with due dates in year 2011	(266,569,618.45)		<b>(206,319,541.96)</b>
	One shipment was loaded in 1 January 2011		60,250,076.49	
<b>J</b>	Three shipments were loaded in year 2009 with due dates in year 2010		279,781,643.02	<b>(229,162,138.50)</b>
	Six shipments were loaded in year 2010 with due dates in year 2011	(508,943,781.52)		
<b>K</b>	One shipment was loaded in year 2009 with due date in year 2010		148,567,044.11	<b>148,567,044.11</b>
<b>L</b>	Two shipments were loaded in year 2010 with due dates in year 2011	(328,046,815.24)		<b>(328,046,815.24)</b>
<b>M</b>	Two shipment were loaded in year 2009 with due date in year 2010		198,565,437.37	<b>38,750,523.70</b>
	Two shipments were loaded in year 2010 with due dates in year 2011	(159,814,913.67)		
	<b>Total</b>	<b>(2,359,333,139.23)</b>	<b>2,544,419,845.74</b>	<b>185,086,706.51</b>

## 5. Reconciliation of Reported Data (continued)

### 5.6 Signature Bonuses payments reconciliation between PCLD and the IOCs in calendar year 2010

Contracted Oil Field	PCLD In USD	Consortium	Signature Bonus In USD	Variance In USD
Rumaila	500,000,000	British Petroleum	253,333,333	0
		Petrochina	246,666,667	
		<b>Total IOCs</b>	<b>500,000,000</b>	
Zubair	100,000,000	ENI	43,750,000	0
		Occidental	31,250,000	
		Kogas	25,000,000	
<b>Total IOCs</b>	<b>100,000,000</b>	<b>100,000,000</b>	<b>0</b>	
West Qurna 1	100,000,000	EXXONMOBIL	80,000,000	0
		Shell	20,000,000	
		<b>Total IOCs</b>	<b>100,000,000</b>	
Missan Oil Fields	100,000,000	CNOOC	85,000,000	0
		TPAO	15,000,000	
		<b>Total IOCs</b>	<b>100,000,000</b>	
West Qurna 2	150,000,000	Lukoil	112,500,000	0
		Statoil	37,500,000	
		<b>Total IOCs</b>	<b>150,000,000</b>	
Majnoon	150,000,000	Shell	90,000,000	0
		Petronas	60,000,000	
		<b>Total IOCs</b>	<b>150,000,000</b>	
Halfaya	150,000,000	Petronas	37,500,000	0
		Petrochina	75,000,000	
		Total	37,500,000	
<b>Total IOCs</b>	<b>150,000,000</b>	<b>150,000,000</b>	<b>0</b>	

## 5. Reconciliation of Reported Data (continued)

### 5.6 Signature Bonuses payments reconciliation between PCLD and IOCs in calendar year 2010

Contracted Oil Field	PCLD In USD	Consortium	Signature Bonus In USD	Variance In USD
Badra	<i>100,000,000</i>	Gazprom	40,000,000	
		Petronas	20,000,000	
		Kogas	30,000,000	
		TPAO	10,000,000	
		<b>Total IOCs</b>	<b>100,000,000</b>	<b>0</b>
Qaiyarah	<i>100,000,000</i>	Sonangol	100,000,000	
		<b>Total IOCs</b>	<b>100,000,000</b>	<b>0</b>
Najma	<i>100,000,000</i>	Sonangol	100,000,000	
		<b>Total IOCs</b>	<b>100,000,000</b>	<b>0</b>
Garraf	<i>100,000,000</i>	Petronas	60,000,000	
		Japex	40,000,000	
		<b>Total IOCs</b>	<b>100,000,000</b>	<b>0</b>
<b>Total as per the PCLD</b>	<b>1,650,000,000</b>	<b>Total as per the IOCs</b>	<b>1,650,000,000</b>	<b>0</b>

## 5. Reconciliation of Reported Data (continued)

### 5.7 Internal Service payments reconciliation between MoO and North Oil Company in calendar year 2010

Month	Internal Service Payment as per MoO	Internal Service Payment as per NOC	Variances
	Counter Value in USD	Counter Value in USD	
January	13,675,213.68	13,675,213.68	0
February	18,803,418.80	18,803,418.80	0
March	17,948,717.95	17,948,717.95	0
April	10,683,760.68	10,683,760.68	0
May	17,094,017.09	17,094,017.09	0
June	17,094,017.09	17,094,017.09	0
July	14,529,914.53	14,529,914.53	0
August	9,401,709.40	9,401,709.40	0
September	17,094,017.09	17,094,017.09	0
October	13,675,213.68	13,675,213.68	0
November	12,820,512.82	12,820,512.82	0
December	13,675,213.68	13,675,213.68	0
<b>Total</b>	<b>176,495,726.50</b>	<b>176,495,726.50</b>	<b>0</b>

## 5. Reconciliation of Reported Data (continued)

### 5.8 Internal Service payments reconciliation between MoO and Missan Oil Company in calendar year 2010

Month	Internal Service Payment as per MoO	Internal Service Payment as per MOC	Variances
	Counter Value in USD	Counter Value in USD	
January	3,418,803	3,418,803	0
February	5,128,205	5,128,205	0
March	4,700,855	4,700,855	0
April	6,837,607	6,837,607	0
May	6,837,607	6,837,607	0
June	5,128,205	5,128,205	0
July	5,128,205	5,128,205	0
August	5,982,906	5,982,906	0
September	5,982,906	5,982,906	0
October	5,982,906	5,982,906	0
November	5,128,205	5,128,205	0
December	-	-	0
<b>Total</b>	<b>60,256,410.26</b>	<b>60,256,410.26</b>	<b>0</b>

## 5. Reconciliation of Reported Data (continued)

### 5.9 Internal Service payments reconciliation between MoO and South Oil Company in calendar year 2010

Month	Internal Service Payment as per MoO	Internal Service Payment as per SOC	Variances
	Counter Value in USD	Counter Value in USD	
January	47,008,547	47,008,547	0
February	45,299,145	45,299,145	0
March	55,555,556	55,555,556	0
April	66,666,667	66,666,667	0
May	59,401,709	59,401,709	0
June	0	0	0
July	0	0	0
August	0	0	0
September	0	0	0
October	42,735,043	42,735,043	0
November	0	0	0
December	0	0	0
<b>Total</b>	<b>316,666,667</b>	<b>316,666,667</b>	<b>0</b>

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# *Further Transparency*

6

## 6. Further Transparency

Although the current reporting requirements are related to export oil sales, the GoI had provided data presented in the following pages.

The North Oil Company (NOC), Missan Oil Company (MOC) and South Oil Company (SOC) were the only licensed and registered companies involved in the exploration and production of the Extractive Sector who held active production licenses during the year 2010.

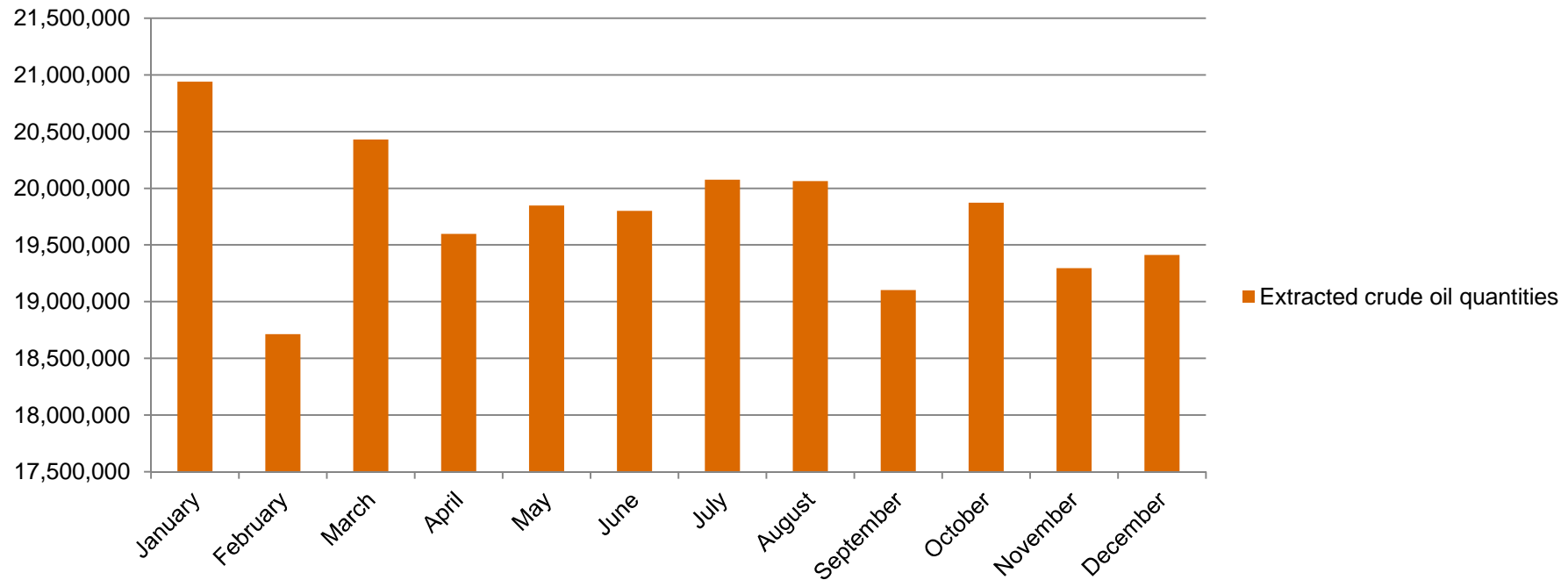
### 6.1 Extracted crude oil quantities reconciliation between Ministry of Oil and North Oil Company (in barrels)

Month	Extracted crude oil quantities reported by MoO	Extracted crude oil quantities reported by NOC	Variiances
January	20,940,197	20,940,197	0
February	18,712,139	18,712,139	0
March	20,430,925	20,430,925	0
April	19,596,811	19,596,811	0
May	19,848,020	19,848,020	0
June	19,800,285	19,800,285	0
July	20,076,038	20,076,038	0
August	20,064,136	20,064,136	0
September	19,102,311	19,102,311	0
October	19,872,348	19,872,347	1
November	19,295,925	19,295,926	(1)
December	19,412,869	19,412,869	0
<b>Total</b>	<b>237,152,004</b>	<b>237,152,004</b>	<b>0</b>

## 6. Further Transparency (continued)

### 6.1 Extracted crude oil quantities reconciliation between Ministry of Oil and North Oil Company (in barrels)

Extracted crude oil quantities



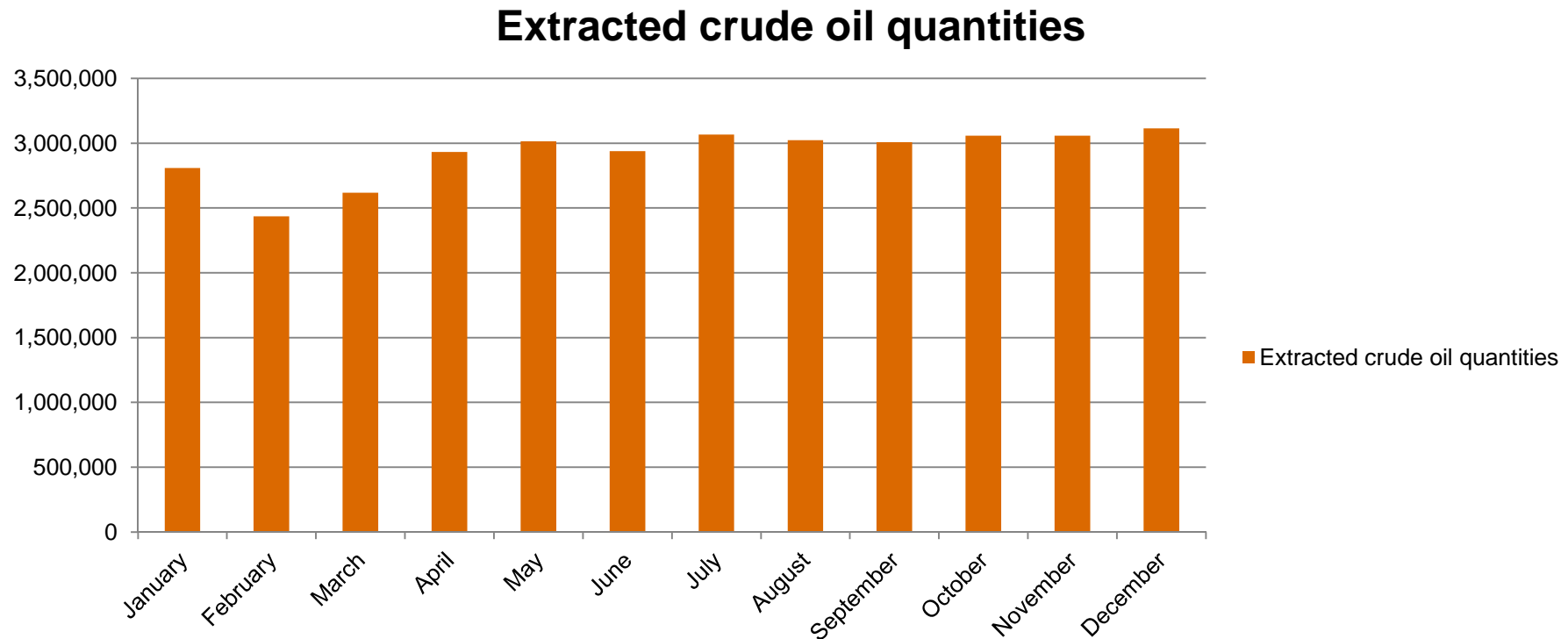
## 6. Further Transparency (continued)

### 6.2 Extracted crude oil quantities reconciliation between Ministry of Oil and Missan Oil Company (in barrels)

Month	Extracted crude oil quantities reported by MoO	Extracted crude oil quantities reported by MOC	Variances
January	2,807,863	2,807,863	0
February	2,436,222	2,436,222	0
March	2,617,326	2,617,326	0
April	2,933,070	2,933,070	0
May	3,015,257	3,015,257	0
June	2,937,786	2,937,786	0
July	3,066,010	3,066,010	0
August	3,023,613	3,023,613	0
September	3,008,239	3,008,239	0
October	3,057,439	3,057,439	0
November	3,057,683	3,057,683	0
December	3,114,328	3,114,328	0
<b>Total</b>	<b>35,074,836</b>	<b>35,074,836</b>	<b>0</b>

## 6. Further Transparency (continued)

### 6.2 Extracted crude oil quantities reconciliation between Ministry of Oil and Missan Oil Company (in barrels)



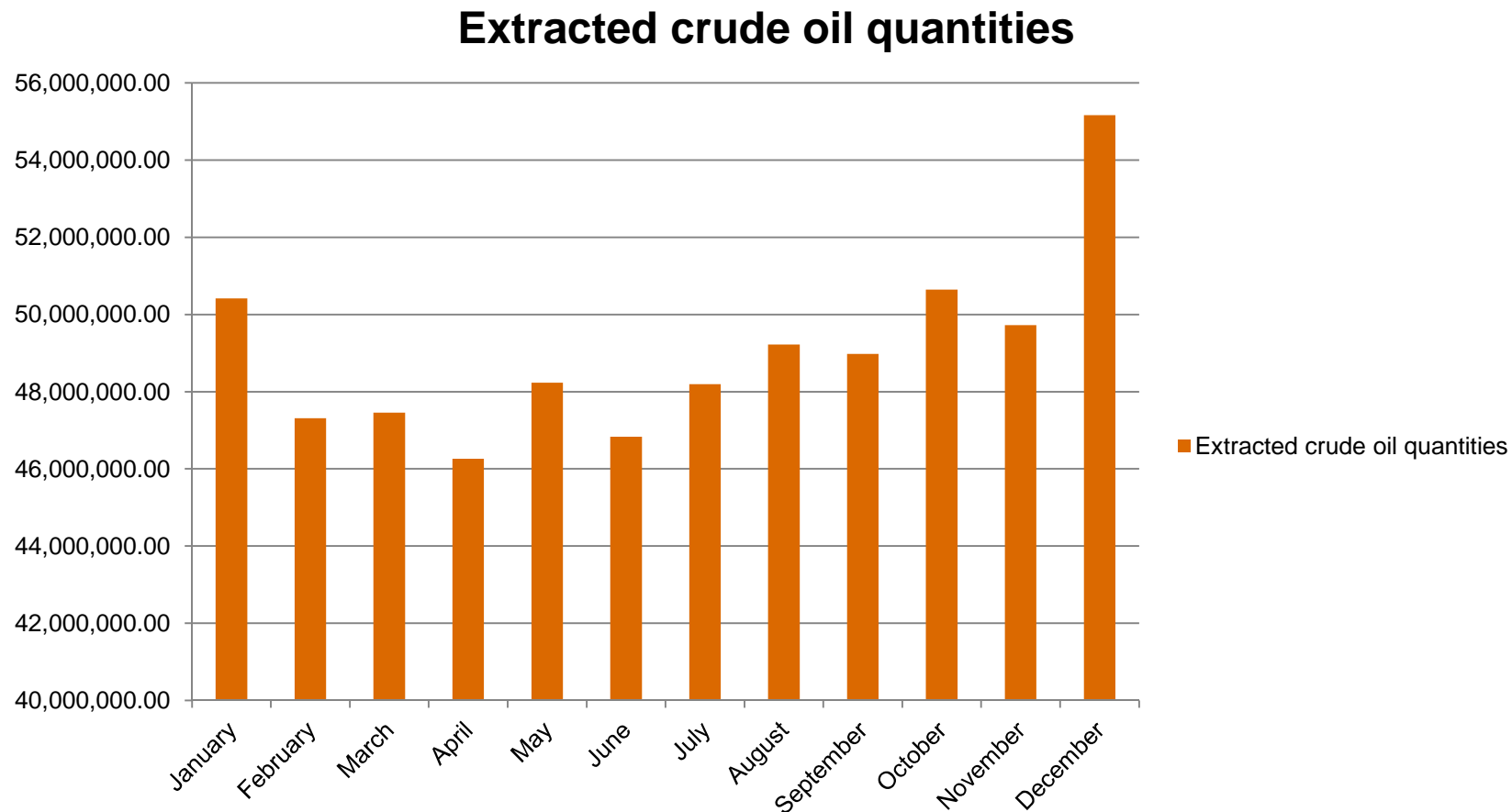
## 6. Further Transparency (continued)

### 6.3 Extracted crude oil quantities reconciliation between Ministry of Oil and South Oil Company (in barrels)

Month	Extracted crude oil quantities		Variances
	reported by MoO	reported by SOC	
January	50,416,616	50,416,616	0
February	47,314,493	47,314,493	0
March	47,456,684	47,456,684	0
April	46,258,029	46,258,029	0
May	48,228,923	48,228,923	0
June	46,831,325	46,831,325	0
July	48,191,969	48,191,969	0
August	49,217,684	49,217,684	0
September	48,980,411	48,980,411	0
October	50,642,248	50,642,248	0
November	49,722,815	49,722,815	0
December	55,167,483	55,167,483	0
<b>Total</b>	<b>588,428,680</b>	<b>588,428,680</b>	<b>0</b>

## 6. Further Transparency (continued)

### 6.3 Extracted crude oil quantities reconciliation between Ministry of Oil and South Oil Company (in barrels)



## 6. Further Transparency (continued)

### 6.4 Monthly export quantities and average price of exported crude oil for the year 2010 with regard to the American, European and Asian Markets, and the Quantity exported through Ceyhan Port & Seniya Depot by SOMO

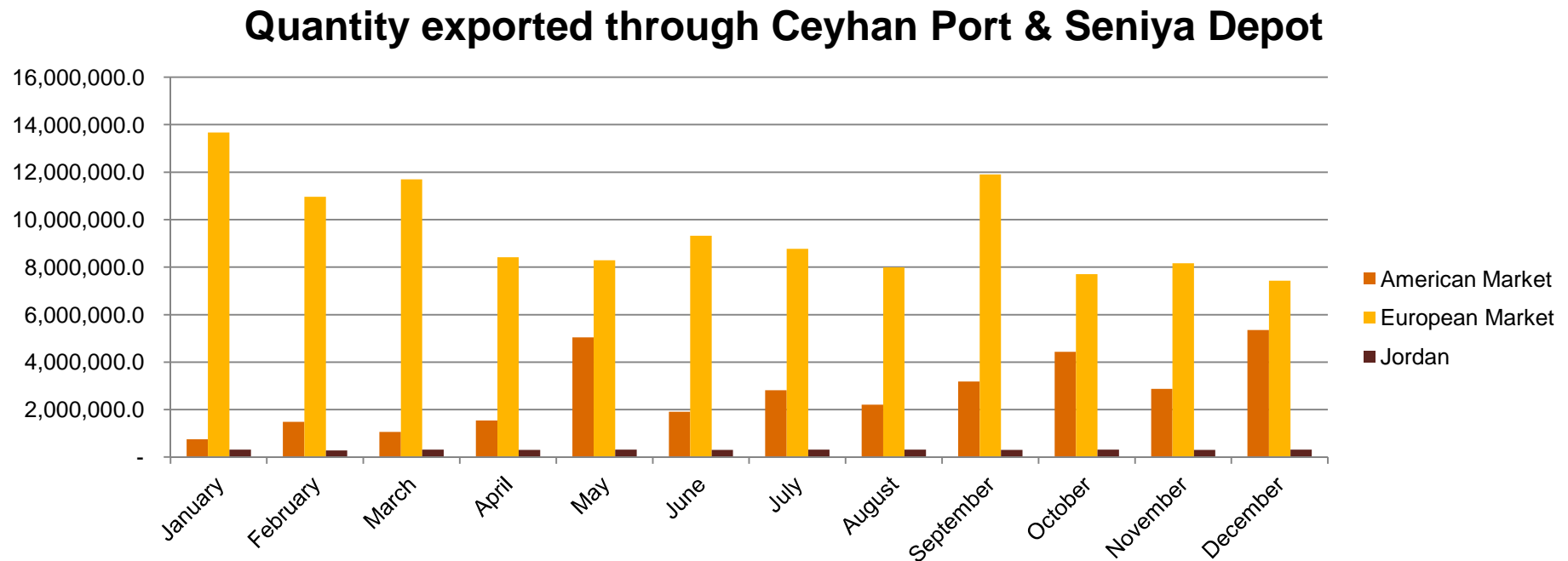
Month	Quantity exported through Ceyhan Port & Seniya Depot				Monthly export price average (USD)			
	American Market	European Market	Asian Market	Jordan*	American Market	European Market	Asian Market	Jordan **
January	751,899.00	13,668,155.00	0	309,975.00	72.751	74.021	0	58.189
February	1,482,717.00	10,964,685.00	0	279,979.46	75.415	73.652	0	55.633
March	1,059,734.00	11,703,249.00	0	309,798.92	78.57	78.03	0	60.892
April	1,541,739.00	8,418,845.00	0	299,481.82	80.328	82.16	0	66.886
May	5,040,747.00	8,285,979.00	0	309,844.60	79.103	68.994	0	57.163
June	1,906,834.00	9,317,055.00	0	299,831.76	72.097	70.921	0	56.85
July	2,817,211.00	8,776,737.00	0	309,791.11	71.845	74.338	0	57.638
August	2,210,806.00	7,991,726.00	0	309,858.61	71.62	73.78	0	59.148
September	3,183,618.00	11,903,297.00	0	299,940.95	72.654	75.515	0	59.794
October	4,434,244.00	7,705,981.00	0	309,980.20	78.248	81.235	0	64.744
November	2,876,086.00	8,163,674.00	0	299,901.20	80.387	82.578	0	67.326
December	5,348,409.00	7,427,383.00	0	309,892.41	85.725	89.204	0	73.356
<b>Total by Market</b>	<b>32,654,044.00</b>	<b>114,326,766.00</b>	<b>0</b>	<b>3,648,276.04</b>				
<b>Total</b>				<b>150,629,086.04</b>				

\*Quantities exported to Jordan is via Petroleum Tanks not through Ceyhan Port and Seniya Depot

\*\*Jordan oil prices is included in this item, where there is an agreement between the GoI and Government of Jordan to sell Oil based on BRENT Prices less USD 18

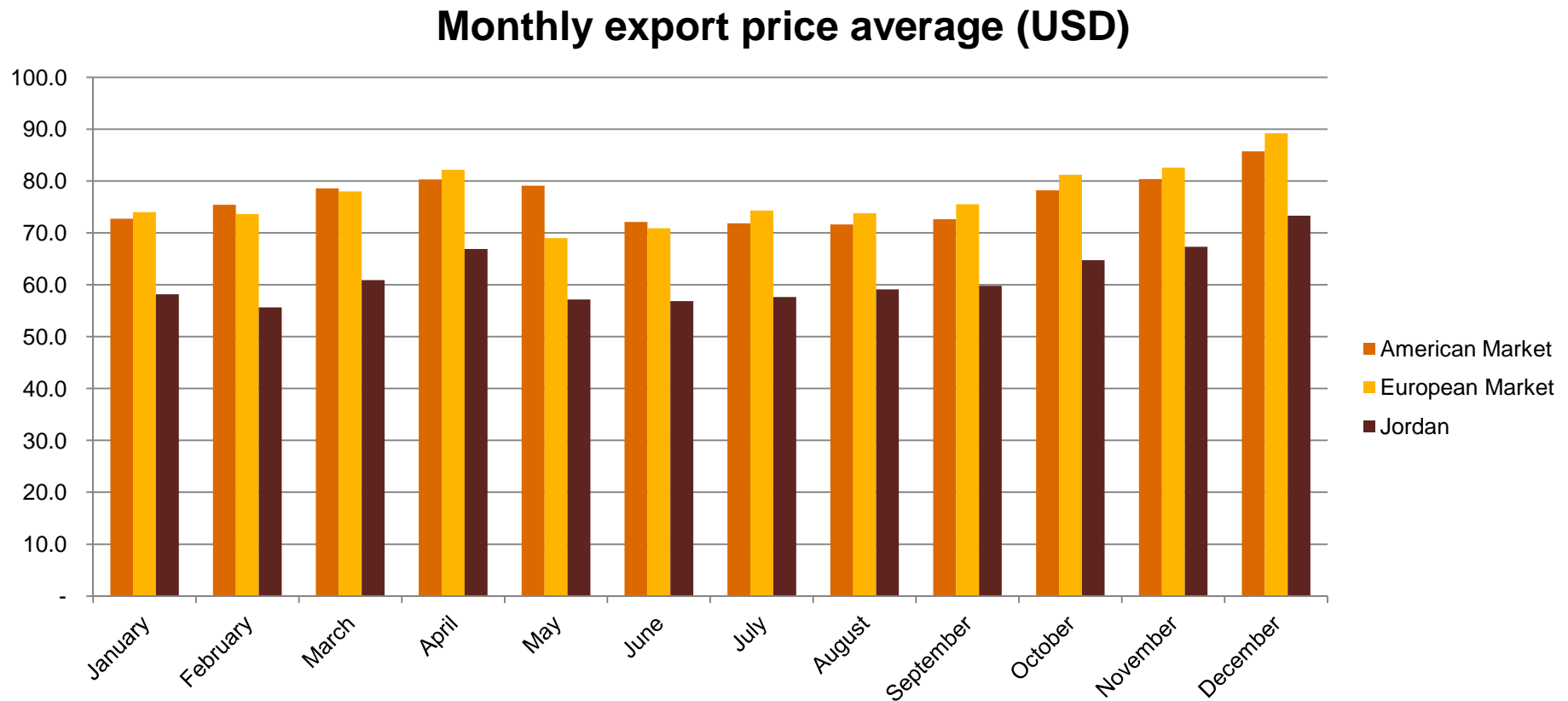
## 6. Further Transparency (continued)

### 6.4 Monthly export quantities and average price for exported crude oil for the year 2010 with regard to the American, European and Asian Markets and the Quantity exported through Ceyhan Port & Seniya Depot by SOMO



## 6. Further Transparency (continued)

### 6.4 Monthly export quantities and average price for exported crude oil for the year 2010 with regard to the American, European and Asian Markets and the Quantity exported through Ceyhan Port & Seniya Depot by SOMO



## 6. Further Transparency (continued)

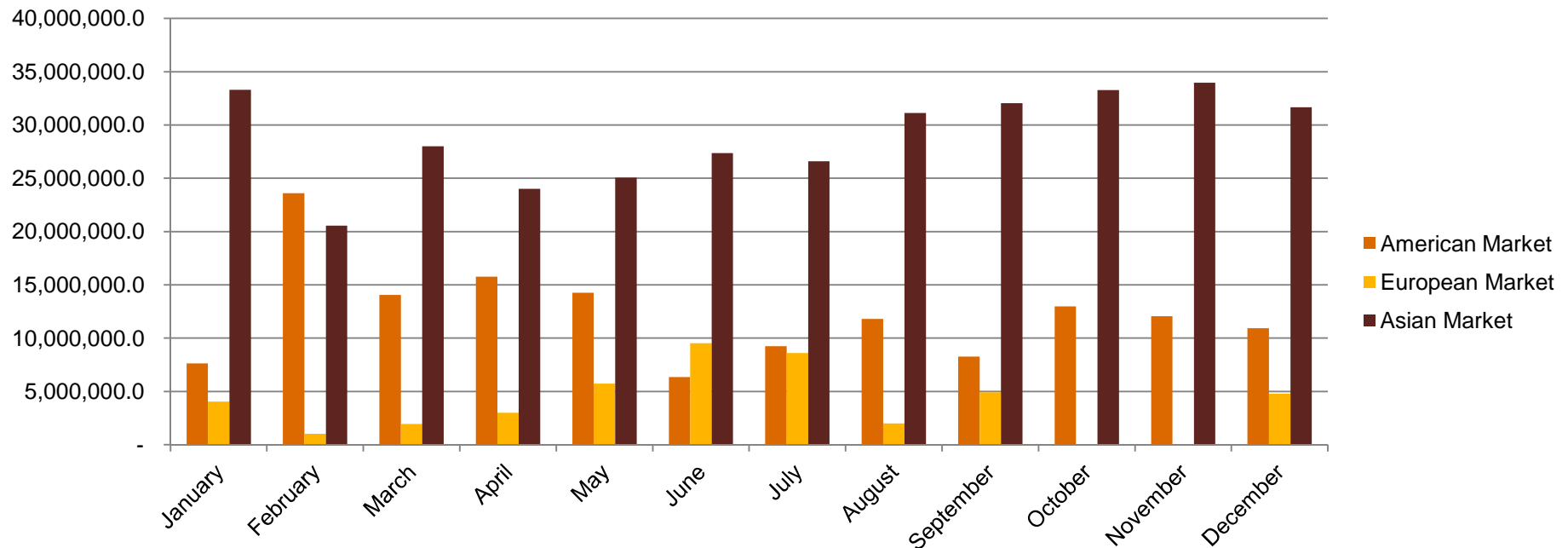
### 6.5 Monthly export quantities and price average price for exported crude oil for the year 2010 with regard to the American, European and Asian Markets and the Quantity exported through Basrah and Khor Al-Amaya ports by SOMO

Month	Quantity exported through Basrah & Khor Al-Amaya ports			Monthly export price average (USD)		
	American Market	European Market	Asian Market	American Market	European Market	Asian Market
January	7,633,397.00	4,037,820.00	33,305,319.00	70.40	71.29	75.25
February	23,586,742.00	1,029,874.00	20,547,169.00	73.44	72.33	72.36
March	14,060,542.00	1,940,073.00	27,995,354.00	77.69	75.04	74.94
April	15,761,402.00	2,995,251.00	23,996,083.00	78.66	77.11	79.81
May	14,254,603.00	5,736,198.00	25,055,054.00	73.96	64.59	76.72
June	6,352,824.00	9,513,119.00	27,367,302.00	70.51	67.76	72.40
July	9,241,437.00	8,592,603.00	26,587,332.00	69.89	72.39	70.29
August	11,788,184.00	1,994,584.00	31,123,224.00	70.26	71.49	71.33
September	8,275,233.00	4,920,825.00	32,032,214.00	71.78	76.90	72.04
October	12,974,579.00	0.00	33,270,075.00	76.22	0.00	76.47
November	12,054,103.00	0.00	33,963,234.00	79.19	0.00	80.63
December	10,928,333.00	4,795,137.00	31,672,859.00	83.83	89.39	86.30
<b>Total by Market</b>	<b>146,911,379.00</b>	<b>45,555,484.00</b>	<b>346,915,219.00</b>			
<b>Total</b>		<b>539,382,082.00</b>				

## 6. Further Transparency (continued)

**6.5 Monthly export quantities and average price for exported crude oil for the year 2010 with regard to the American, European and Asian Markets and the Quantity exported through Basrah and Khor Al-Amaya ports by SOMO**

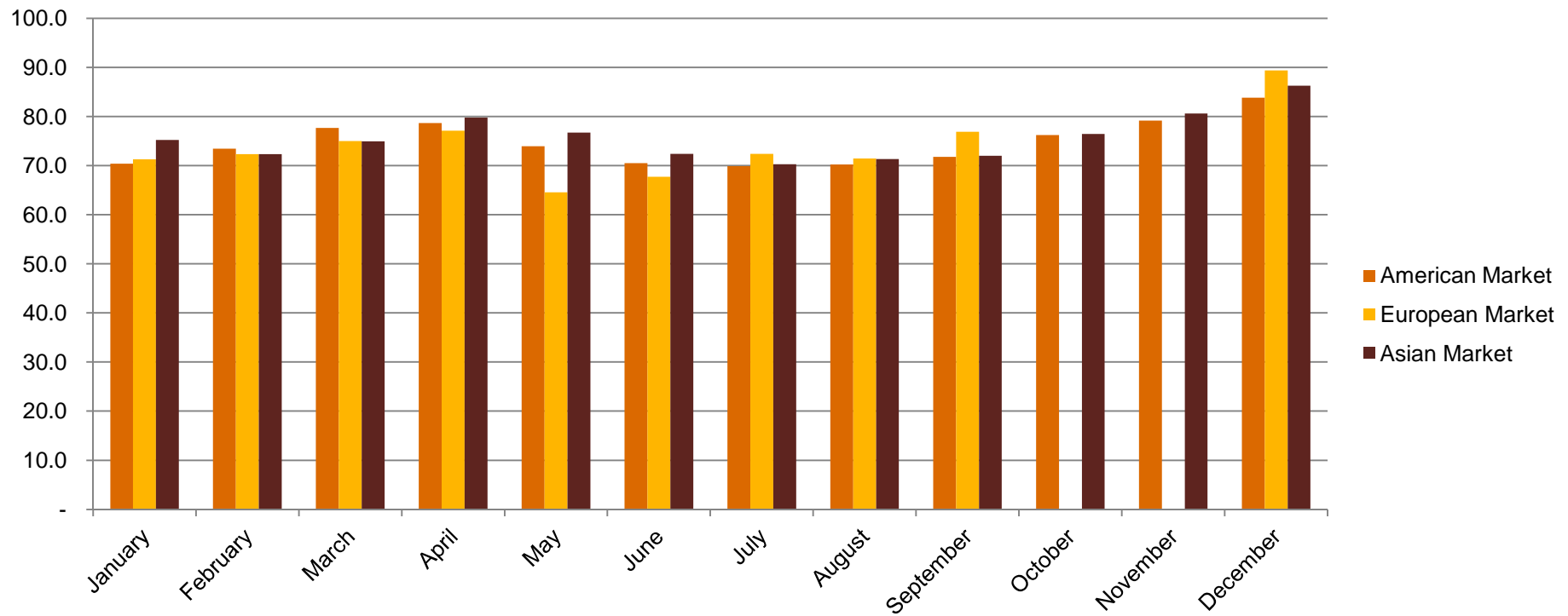
**Quantity exported through Basrah & Khor Al-Amaya ports**



## 6. Further Transparency (continued)

**6.5 Monthly export quantities and average price for exported crude oil for the year 2010 with regard to the American, European and Asian Markets and the Quantity exported through Basrah and Khor Al-Amaya ports by SOMO**

**Monthly export price average (USD)**

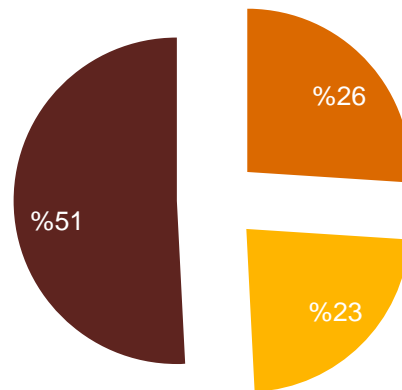


## 6. Further Transparency (continued)

### 6.6 Quantities exported by North Oil Company, Missan Oil Company and South Oil Company to World Oil Markets

#### Quantities exported to oil markets

■ North & South America ■ Europe & North Africa ■ Asia/Far East



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# *Kurdistan Region*

## ***7. Kurdistan Region Chapter***

On 17 July 2012, a meeting was held in Paris which was attended by the following parties:

### **World Bank & EITI**

- Mr. Mourad Belguedj, World Bank
- Mr. Eddie Rich, Deputy head of the International EITI Secretariat

### **EITI Iraq**

- Mr. Alaa Mohieddine, Chair of Iraq EITI
- Dr. Falah Al Amery, Director General for SOMO
- Mr. Fayad Nima, Director General at the Ministry of Oil

### **Kurdistan Regional Government**

- Ms. Nisar Talabany, Senior Advisor for Governance to the KRG Prime Minister
- Mr. Michael Howard, Advisor to the Minister of Natural Resources

The following points were discussed and agreed on during the meeting:

1. The 2010 IEITI report will include a Chapter for Kurdistan Region's Oil and Gas.
2. The Terms of Reference for the next reconciliation exercise will be adjusted.
3. The 2010 EITI report will require an effective representative from Kurdistan to be part of the Multi Stakeholder Group (MSG).
4. Kurdistan will appoint a temporary liaison to communicate with the IEITI MSG, in order to facilitate the 2010 reporting process.
5. The resources for the 2010 report must be mobilised and the World Bank will support this effort.
6. A formal invitation will be sent to the World Bank and the International Secretariat of EITI, to visit Kurdistan in the second week of September 2012.

## 7. *Kurdistan Region Chapter*

### 7.1 *Kurdistan Region – Ministry of Natural Resources context*

Kurdistan Region Ministry of Natural Resources had prepared the below information to be included in this chapter, noting that the wording below is derived from the MNR original context, based on its relevancy to the terms of reference of IEITI 2010 report and EITI standards.

#### **“Changing a Negative into a Positive”**

The oil and gas industry in the Kurdistan Region is relatively young, but it is already producing impressive results.

As the industry progresses over the coming years, we will see beneficial effects on the entire economy.

But Kurds remain mindful however, about over-reliance on the revenues derived from oil and gas, which is why the KRG is implementing policies that will exploit these revenues, to help diversify the economy.

In addition, international oil companies operating in Kurdistan, are required to participate in, and commit to, a comprehensive capacity building program, which is already enhancing the physical and human capital and infrastructure.

#### ***Kurdistan Production Sharing Contracts***

Given the largely unexplored status of Kurdistan’s geology, its Production Sharing Contracts are designed for successful exploration and production in undiscovered fields, rather than developing existing or discovered fields. (As is the primary requirement in the south of Iraq).

The KRG has negotiated and signed so far more than 50 production sharing contracts with International Oil Companies.

As a result, it is currently one of the world’s most dynamic exploration areas. It was recently termed “the exploration capital of the world” by Dr. Alirio Parra, the former Venezuelan oil minister, speaking at the Kurdistan-Iraq international oil and gas conference held in Erbil in December 2012.

Drilling success rate is currently running at around 70 percent, and is likely to improve further, given the low geological risk of the entire country’s sedimentary basin.

The PSC contracts were drawn up to offer the right balance between risk and reward, and are generally considered by the international community, to be “tough but fair.”

Though individual contracts do vary, there are certain common elements, including:

- A maximum 7 year exploration term, reasonable relinquishment requirements, exploration commitments, maximum contract term of 20 years (with a possible 5 year extension), minimum royalty 10%, production sharing with a sliding scale, utilizing an "R" factor (cumulative revenue and expense calculation), including government and local participation rights.
  - International arbitration is contemplated for resolution of disputes.
  - Modern anti-corruption provisions are adopted, as is a full commitment to the transparency principles of the Extractive Industries Transparency Initiative (EITI). As part of its commitment to transparency, the KRG has published most of its PSCs online. (krg.org).

# Iraqi Extractive Industries Transparency Initiative (IEITI)

- The KRG PSC attains one of the highest levels of Government Take (around 90%) for exploration contracts in the world. It's a progressive system that protects the state share of revenue, as and where IOC profitability increases.
- The KRG on behalf of the state, has a 20% carried interest in each PSC.
- The KRG also reserves the right to assign an interest in the PSC, to one or more third parties. This right has been utilized to bring in new larger IOCs to some licenses, or help larger operators already in the KRG, to expand their interests.
- With TPI's, farm-out, and M&A activity, the face of the industry in the Region is quickly changing. It is anticipated that the number of companies operating in the KRG may soon halve, as mergers and acquisitions help reach the critical mass of better performing operators.
- Incentives exist for cost-efficient operations by IOCs. Costs recovery is capped at around 40 percent of available crude and available associated natural gas, in any one year. Costs can only be recovered in the event of a commercial discovery.
- Bureaucracy is restricted to matters of legitimate state interest.
- The progress of each PSC, including cost management and procurement and tendering procedures, is overseen by a Management Committee. It comprises two members of the MNR, and two members of the operating company.
- The PSCs require the IOCs to pay a signature bonus upon the signing of the contract, which is not cost recoverable but reflective of the low geological risk of the country, as clearly proven by the high rate of commercial discoveries.
- Regular annual payments are made for land rental, environmental protection, training, common goods etc. These are regarded as cost recoverable.
- In the event of a crude oil commercial discovery, a **production bonus** is payable to the government.
- Beyond their contribution to the Country's revenues, the PSCs were also designed to forge a lasting and mutually sustainable relationship, between the oil companies and the local communities in which they operate.
- On signing of each PSC, the holder is required to commit proper resources (either as sums of money or projects in kind) as a **capacity building bonus**. Contractors are also liable to a further capacity building bonus on profit oil. At the heart of the capacity building program, is the determination to diversify the Region's economy and foster human resources. Over \$2bn has been ring-fenced for projects that are already helping to raise living standards and provide concrete opportunities to help the people of Kurdistan, catch-up with and connect to the modern world, after years of war, suffering and isolation. Projects may include common goods such as a potable water system, a school, a new road, or putting young citizens of Kurdistan through universities, at home and abroad.

## ***Gas to Power and then Export***

Intelligent and market-oriented exploitation of resources by the KRG, has also seen natural gas fields in the region utilized to help provide near round-the-clock electricity service for its citizens.

Electricity is also being supplied by the KRG to the power-starved neighboring governorates of Kirkuk and Nineveh. Further neighboring power deficient markets are being considered.

Gas reserves (currently estimated at 3 -4 Trillion cm) are earmarked to first meet all domestic needs, but exports to Turkey and other neighboring captive markets and beyond, are seriously envisaged.

## ***Helping Iraq Meet Its Production Targets***

From a standing start 5 years ago, the KRG's progress has been dramatic.

Today, the Region's production capacity stands at over 250,000 bpd. It has targeted 1 million bpd by 2015 with existing discoveries and 2 million bpd by 2019, as expected discoveries come on line.

## Iraqi Extractive Industries Transparency Initiative (IEITI)

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The KRG is also engaged in a major program to beef up Iraq's export infrastructure in the north.

It has a vision of creating a "northern energy corridor" for Iraq to Turkey and markets beyond. Consequently feeder and export pipelines are being planned and built as quickly as technically and commercially possible

By 2019, with the necessary infrastructure in place, the KRG envisages as much as 3 million bpd could be flowing from the whole of the north of Iraq.

The KRG believes that the revenue streams thus created for the whole of Iraq will help to convince doubters, if any, that a less statist and more commercial approach to Iraq's oil and gas development and management is the best way forward to maximize revenues in a timely way, as clearly stated and required by the Constitution.

## 7.2 Kurdistan Region– Ministry of Natural Resources Reported Data Reconciliation

### Signature and any other bonuses reconciliation

Company Name	KRG - MNR Data			KRG - IOCs Data			Variances			Total Variances	Notes
	Signature Bonus Received during 2010	Capacity Building Bonus Received during 2010	Other Payments Received during 2010	Signature Bonus Paid during 2010	Capacity Building Bonus Paid during 2010	Other Payments Paid during 2010	Signature Bonus during 2010	Capacity Building Bonus during 2010	Other Payments during 2010		
	In USD	In USD	In USD	In USD	In USD	In USD	In USD	In USD	In USD		
Dana Gas PJSC / Crascent Petroleum Co. Int. Ltd	0	0	0	0	0	0	0	0	0	0	
DNO Iraq AS	0	0	600,000	0	0	600,000	0	0	0	0	
DNO Iraq AS	0	0	300,000	0	0	300,000	0	0	0	0	
DNO Iraq AS	0	0	300,000	0	0	300,000	0	0	0	0	
Forbes Manhattan Kurdistan Inc.	0	0	2,119,696	0	0	2,119,696	0	0	0	0	Submission is made through Genel Energy International Ltd
Gas Plus Khalakan	0	0	550,000	0	0	550,000	0	0	0	0	
Genel Energy International Ltd	0	0	0	0	0	0	0	0	0	0	
General Exploration Partners Inc.	0	0	752,690	0	0	752,690	0	0	0	0	

## 7.2 Kurdistan Region– Ministry of Natural Resources Reported Data Reconciliation (Continued)

### Signature and any other bonuses reconciliation (Continued)

Company Name	KRG - MNR Data			KRG - IOCs Data			Variances				Notes	
	Signature Bonus Received during 2010	Capacity Building Bonus Received during 2010	Other Payments Received during 2010	Signature Bonus Paid during 2010	Capacity Building Bonus Paid during 2010	Other Payments Paid during 2010	Signature Bonus during 2010	Capacity Building Bonus during 2010	Other Payments during 2010	Total Variances		
	In USD	In USD	In USD	In USD	In USD	In USD	In USD	In USD	In USD	In USD		
Gulf Keystone Petroleum Int. Ltd (GKPI)	0	20,000,000	0	0	20,000,000	0	0	0	0	0	0	
Gulf Keystone Petroleum Int. Ltd (GKPI)	0	20,000,000	0	0	20,000,000	0	0	0	0	0	0	
Gulf Keystone Petroleum Int. Ltd (GKPI)	0	0	103,556	0	0	103,556	0	0	0	0	0	
Heritage Energy Middle East Ltd	0	0	0	0	0	0	0	0	0	0	0	
HKN Energy Ltd	0	8,200,000	500,000	0	8,200,000	500,000	0	0	0	0	0	
Hunt Oil Middle East Ltd	0	0	358,400	0	0	358,400	0	0	0	0	0	
Kalegran Ltd	0	0	0	0	0	0	0	0	0	0	0	
Kar Group	0	0	0	0	0	0	0	0	0	0	0	
KNOC	0	0	2,564,821	0	0	2,564,821	0	0	0	0	0	
KNOC	0	0	2,568,441	0	0	2,568,441	0	0	0	0	0	
KNOC Bazian Limited	0	0	514,821	0	0	514,821	0	0	0	0	0	

## 7.2 Kurdistan Region – Ministry of Natural Resources Reported Data Reconciliation (Continued)

### Signature and any other bonuses reconciliation (Continued)

Company Name	KRG - MNR Data			KRG - IOCs Data			Variances			Total Variances	Notes
	Signature Bonus Received during 2010	Capacity Building Bonus Received during 2010	Other Payments Received during 2010	Signature Bonus Paid during 2010	Capacity Building Bonus Paid during 2010	Other Payments Paid during 2010	Signature Bonus during 2010	Capacity Building Bonus during 2010	Other Payments during 2010		
	In USD	In USD	In USD	In USD	In USD	In USD	In USD	In USD	In USD		
Komet Group SA	0	0	0	0	0	0	0	0	0	0	
Marathon Oil KDV B.V.	0	10,000,000	0	0	10,000,000	0	0	0	0	0	
Marathon Oil KDV B.V.	0	30,000,000	0	0	30,000,000	0	0	0	0	0	
Marathon Oil KDV B.V.	0	30,000,000	0	0	30,000,000	0	0	0	0	0	
Marathon Oil KDV B.V.	0	16,000,000	0	0	16,000,000	0	0	0	0	0	
Murphy Central Dohuk On Co. Ltd	625,000	33,750,000	343,750	625,000	33,750,000	343,750	0	0	0	0	
Niko Resources (Kurdistan) Ltd	0	0	558,280	No Data	No Data	No Data	No Data	No Data	0	558,280	No Submission
OMV Bina Bawi GmbH	6,000,000	0	0	6,000,000	0	0	0	0	0	0	
OMV Petroleum Exploration GmbH	0	6,000,000	0	0	6,000,000	0	0	0	0	0	
OMV Petroleum Exploration GmbH	0	6,000,000	0	0	6,000,000	0	0	0	0	0	
OMV Rovi GmbH (non-operator)	0	6,000,000	0	0	6,000,000	0	0	0	0	0	
OMV Sarta GmbH (non-operator)	0	6,000,000	0	0	6,000,000	0	0	0	0	0	

## 7.2 Kurdistan Region– Ministry of Natural Resources Reported Data Reconciliation (Continued)

### Signature and any other bonuses reconciliation (Continued)

Company Name	KRG - MNR Data			KRG - IOCs Data			Variances			Total Variances	Notes
	Signature Bonus Received during 2010	Capacity Building Bonus Received during 2010	Other Payments Received during 2010	Signature Bonus Paid during 2010	Capacity Building Bonus Paid during 2010	Other Payments Paid during 2010	Signature Bonus during 2010	Capacity Building Bonus during 2010	Other Payments during 2010		
	In USD	In USD	In USD	In USD	In USD	In USD	In USD	In USD	In USD		
Oryx Petroleum	0	0	0	0	0	0	0	0	0	0	
Perenco Middle East	0	0	0	0	0	0	0	0	0	0	
Petroquest Petrol va Enerji Ltd. Sti	375,000	20,250,000	0	375,000	20,250,000	0	0	0	0	0	
Prime Natural Resources	0	0	0	No Data	No Data	No Data	No Data	No Data	No Data	0	No Submission
Reliance Exploration & Production DMCC	0	0	0	0	0	0	0	0	0	0	
Reliance Exploration & Production DMCC	0	0	0	0	0	0	0	0	0	0	
Shamaram Petroleum B.V.	0	0	0	0	0	0	0	0	0	0	
Shamaram Petroleum B.V.	0	0	0	0	0	0	0	0	0	0	
Sterling Energy (International) Ltd	0	0	0	0	0	0	0	0	0	0	

## 7.2 Kurdistan Region– Ministry of Natural Resources Reported Data Reconciliation (Continued)

### Signature and any other bonuses reconciliation (Continued)

Company Name	KRG - MNR Data			KRG - IOCs Data			Variances			Total Variances	Notes
	Signature Bonus Received during 2010	Capacity Building Bonus Received during 2010	Other Payments Received during 2010	Signature Bonus Paid during 2010	Capacity Building Bonus Paid during 2010	Other Payments Paid during 2010	Signature Bonus during 2010	Capacity Building Bonus during 2010	Other Payments during 2010		
	In USD	In USD	In USD	In USD	In USD	In USD	In USD	In USD	In USD		
Talisman (Block K39) B.V.	2,000,000	18,000,000	1,555,820	2,000,000	18,000,000	1,555,820	0	0	0	0	
Talisman (Block K44) B.V.	0	0	1,103,400	0	0	1,103,400	0	0	0	0	
Talisman (Block K9) B.V.	0	25,000,000	557,220	0	25,000,000	557,220	0	0	0	0	
Taq Taq Operating Company	0	0	0	0	0	0	0	0	0	0	
Western Zagros	0	0	4,199,297	0	0	4,199,297	0	0	0	0	
<b>Total</b>	<b>9,000,000</b>	<b>255,200,000</b>	<b>19,550,191</b>	<b>9,000,000</b>	<b>255,200,000</b>	<b>18,991,911</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>558,280</b>	

## 7.2 Kurdistan Region– Ministry of Natural Resources Reported Data Reconciliation (Continued)

IOCs share reconciliation between KRG - Ministry of Natural Resources and KRG – IOCs

Month	KRG-MNR Data				KRG-IOCs Data										Variances				
	Contract or Share of Crude Oil Lifted to Topping Plants / Tawke (Gross)	Contract or Share of Crude Oil Lifted to Topping Plants / Tawke (Net)	Average Monthly Barrel Price for Contract or Share of Crude Oil Lifted to Topping Plants / Tawke (Net)	Payments paid during 2010 for Contract or Share of Crude Oil Lifted to Topping Plants / Tawke	DNO		Taq Taq Operating Company		DANA		Gulf Keystone		KOMET		Total		Crude Oil Share	Payment Received	
					Crude Oil Share	Payment Received	Crude Oil Share	Payment Received	Crude Oil Share	Payment Received	Crude Oil Share	Payment Received	Crude Oil Share	Payment Received	Crude Oil Share	Payment Received			
	In Barrel	In Barrel	In USD	In USD	In Barrel	In USD	In Barrel	In USD	In Barrel	In USD	In Barrel	In USD	In Barrel	In USD	In Barrel	In USD	In Barrel	In USD	
<b>January</b>	225,799	<b>205,715</b>	25.28	<b>5,199,907</b>	108,729	2,653,780	117,070	2,547,127					31,726		<b>257,525</b>	<b>5,200,907</b>	-	51,810	-1,000
<b>February</b>	251,963	<b>228,613</b>	43.67	<b>9,983,779</b>	80,405	2,627,519	171,559	7,356,266					19,361		<b>271,325</b>	<b>9,983,785</b>	-	42,712	-6
<b>March</b>	418,652	<b>379,047</b>	45.78	<b>17,354,625</b>	98,438	3,647,426	320,215	13,707,200					1,045		<b>419,698</b>	<b>17,354,626</b>	-	40,651	-1
<b>April</b>	655,119	<b>607,484</b>	36.34	<b>22,074,833</b>	107,596	3,957,513	354,936	12,377,242	5,740,078				0		<b>462,532</b>	<b>22,074,833</b>	144,952		0
<b>May</b>	764,584	<b>690,221</b>	38.64	<b>26,671,774</b>	91,273	3,192,699	673,311	23,479,075					1,356		<b>765,940</b>	<b>26,671,774</b>	-	75,719	0
<b>June</b>	1,132,610	<b>1,027,125</b>	35.56	<b>36,528,229</b>	338,699	11,243,021	793,912	25,285,208					1,936		<b>1,134,547</b>	<b>36,528,229</b>	107,421		0

## 7.2 Kurdistan Region– Ministry of Natural Resources Reported Data Reconciliation (Continued)

### IOCs share reconciliation between KRG - Ministry of Natural Resources and KRG – IOCs

Month	KRG-MNR Data				KRG-IOCs Data										Variances				
	Contractor Share of Crude Oil Lifted to Topping Plants / Tawke (Gross)	Contractor Share of Crude Oil Lifted to Topping Plants / Tawke (Net)	Average Monthly Barrel Price for Contractor Share of Crude Oil Lifted to Topping Plants / Tawke (Net)	Payments paid during 2010 for Contractor or Share of Crude Oil Lifted to Topping Plants / Tawke	DNO		Taq Taq Operating Company		DANA		Gulf Keystone		KOMET		Total		Crude Oil Share	Payment Received	
					Crude Oil Share	Payment Received	Crude Oil Share	Payment Received	Crude Oil Share	Payment Received	Crude Oil Share	Payment Received	Crude Oil Share	Payment Received	Crude Oil Share	Payment Received			
					In Barrel	In USD	In Barrel	In USD	In Barrel	In USD	In Barrel	In USD	In Barrel	In USD	In Barrel	In USD			
<b>July</b>	1,574,226	<b>1,426,683</b>	35.93	<b>51,255,594</b>	430,302	14,245,971	1,143,925	37,009,624					68,714		<b>1,642,941</b>	<b>51,255,595</b>	-	216,258	-1
<b>August</b>	1,759,278	<b>1,592,212</b>	33.14	<b>52,768,391</b>	385,971	11,205,416	1,373,308	41,562,976					98,488		<b>1,857,767</b>	<b>52,768,392</b>	-	265,555	-1
<b>September</b>	1,269,225	<b>1,152,558</b>	32.56	<b>37,530,955</b>	304,311	7,819,384	924,055	28,493,729	1,217,842				76,165		<b>1,304,531</b>	<b>37,530,955</b>	-151,972		0
<b>October</b>	1,031,515	<b>953,194</b>	33.04	<b>31,491,906</b>	234,780	6,028,633	553,738	18,209,273	7,242,527	733	11,473		61,772		<b>851,023</b>	<b>31,491,907</b>	102,170		0
<b>November</b>	708,908	<b>664,399</b>	32.96	<b>21,896,172</b>	72,980	1,772,380	327,099	10,195,180	9,204,632	43,687	723,981		19,799		<b>463,565</b>	<b>21,896,172</b>	200,833		-1
<b>December</b>	1,471,946	<b>1,331,540</b>	35.95	<b>47,862,672</b>	295,676	10,972,745	1,176,271	36,630,437	2,601,747		11,661	259,491			<b>4,085,355</b>	<b>47,862,673</b>	2,753,815		-1
<b>Total</b>	<b>11,263,825</b>	<b>10,258,790</b>		<b>360,618,837</b>	<b>2,549,159</b>	<b>79,366,487</b>	<b>7,929,399</b>	<b>256,853,337</b>	<b>2,601,747</b>	<b>23,405,079</b>	<b>56,081</b>	<b>994,945</b>	<b>380,362</b>	<b>0</b>	<b>13,516,748</b>	<b>360,619,848</b>	<b>3,257,958</b>		<b>-1,011</b>

\* As per KRG-MNR, DANA Gas did not provide their share on their submission, as they do not have a production sharing contract with KRG, where it is a different contract. DANA Gas obtains a percentage of sales. In 2010, they had recovered 100% of sales. This has been represented as equivalent barrels by KRG, but DANA does not report barrels sold, just the money received. The equivalent barrels were as following during year 2012: April (BBL 192,587.2), September (BBL 40,859.5), October (BBL 242,996.6) and November (BBL 308,828.7), making the total BBL 785,272. Up to the date of this report, KRG-MNR did not provide us with updated submissions in order to reflect their changes; therefore we were not able to amend the reported data. As for Gulf Keystone and KOMET submissions, the MNR had stated that its figures were supposed to be nil, yet and as aforementioned, no updated submissions were received till the date of this report.

## 7.2 KRG – Ministry of Natural Resources Reported Data Reconciliation (Continued)

### Exported Crude Oil Quantities reconciliation between KRG - Ministry of Natural Resources, KRG – IOCs and North Oil Company

KRG – IOCs had supplied North Oil Company with quantities of crude oil to be exported via SOMO. The table below represents the related reconciliation.

Month	Crude Oil Exported via SOMO as per KRG-MNR	KRG - IOCs Data			North Oil Company Data		Variances
		DANA	KAR	Total	Crude Oil Received from KRG		
		Crude Oil Exported via SOMO	Crude Oil Exported via SOMO	Crude Oil Exported via SOMO	Crude Oil Received from KRG		
	In Barrel	In Barrel	In Barrel	In Barrel	In Barrel	In USD	
January	196,217	196,217	0	196,217	0	196,217	
February	166,579	166,579	0	166,579	0	166,579	
March	127,680	127,680	0	127,680	0	127,680	
April	160,724	160,724	0	160,724	0	160,724	
May	199,941	199,941	0	199,941	0	199,941	
June	210,116	210,116	0	210,116	0	210,116	
July	228,375	228,375	0	228,375	0	228,375	
August	132,587	132,587	0	132,587	0	132,587	
September	105,727	92,103	13,624	105,727	13,633	92,094	
October	171,608	110,180	61,428	171,608	41,734	129,874	
November	166,374	106,865	59,509	166,374	59,651	106,723	
December	241,528	179,511	62,017	241,528	62,655	178,873	
<b>Total</b>	<b>2,107,456</b>	<b>1,910,878</b>	<b>196,577</b>	<b>2,107,455</b>	<b>177,673</b>	<b>* 1,929,782</b>	

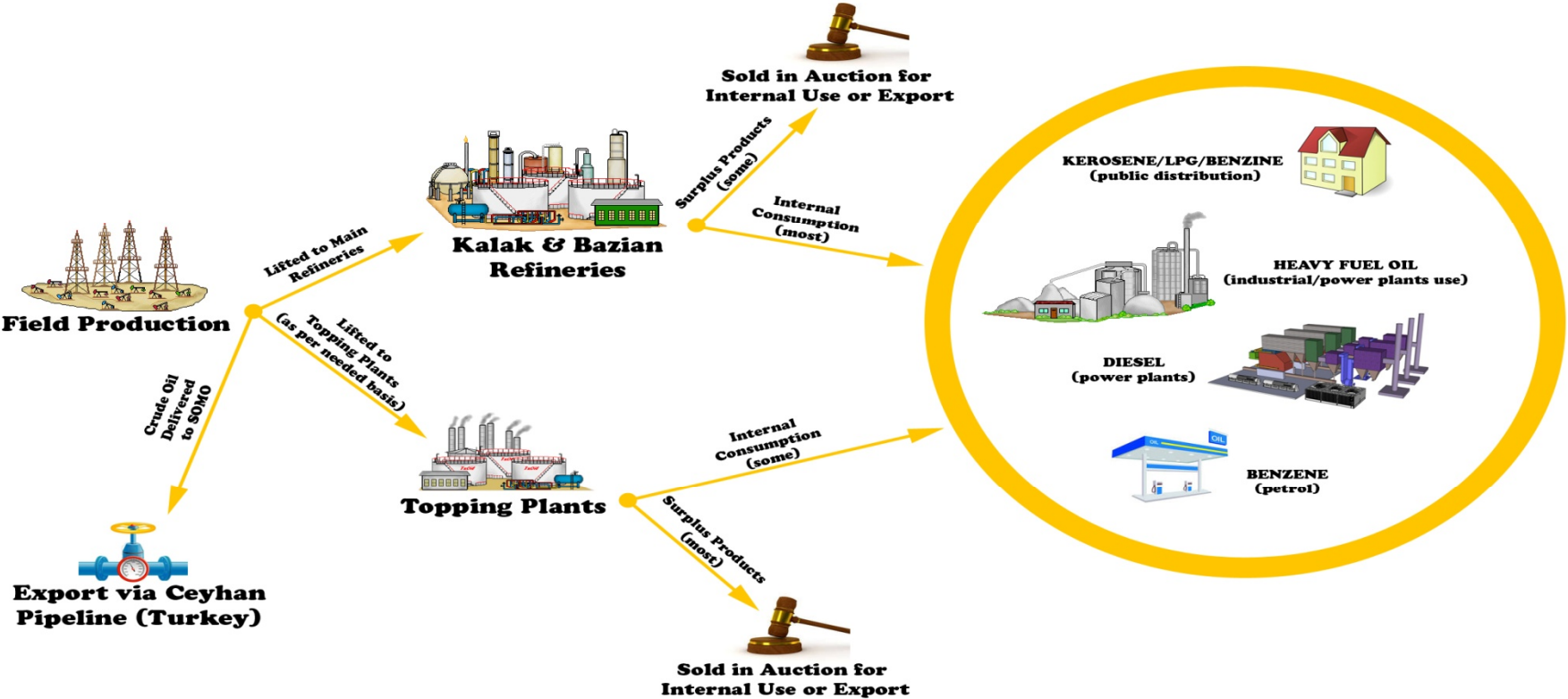
\* The difference is being verified by KRG-MNR and Dana Gas, yet and up to the date of this report no justification had been received.

## 7.2 Kurdistan Region– Ministry of Natural Resources Reported Data Reconciliation (Continued)

Extracted crude oil quantities reconciliation between KRG - Ministry of Natural Resources and KRG – IOCs

Month	Extracted crude oil quantities reported by KRG-MNR in Barrels	Extracted crude oil quantities reported by KRG-IOCs in Barrels							Variances in Barrels
		DNO	Taq Taq Operating Company	KAR	Gulf Keystone	KOMET	DANA	TOTAL IOCs Production	
January	1,404,906	186,980	495,630	494,732	0	31,242	196,322	1,404,906	0
February	1,225,488	138,149	397,347	489,606	0	19,890	180,497	1,225,489	-0.69
March	1,591,812	175,361	639,574	576,831	0	898	199,148	1,591,812	-0.47
April	1,524,038	180,667	557,061	604,670	0	0	181,640	1,524,038	-0.12
May	1,850,439	151,710	923,615	573,548	0	1,182	200,384	1,850,439	0.11
June	2,320,348	571,511	972,484	565,472	0	1,620	209,262	2,320,348	-0.39
July	2,843,352	716,090	1,221,825	606,167	0	71,031	228,239	2,843,351	0.51
August	3,204,369	666,504	1,680,076	541,464	0	97,776	218,549	3,204,369	0.48
September	2,916,757	504,655	1,350,891	746,388	11,904	76,266	226,653	2,916,757	0.24
October	2,846,838	408,068	1,207,985	899,922	12,556	61,857	256,450	2,846,838	-0.4
November	2,228,537	120,896	832,215	929,704	31,712	17,842	296,168	2,228,537	0.14
December	3,556,794	503,015	1,733,843	991,215	25,882	0	302,840	3,556,794	-0.28
<b>Total</b>	<b>27,513,678</b>	<b>4,323,605</b>	<b>12,012,546</b>	<b>8,019,718</b>	<b>82,054</b>	<b>379,604</b>	<b>2,696,152</b>	<b>27,513,679</b>	<b>0</b>

7.3 Kurdistan Region– Ministry of Natural Resources Crude Oil Flow



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# *The Mining Industries in Iraq*

8

## 8. The Mining Industries in Iraq

The below context was prepared by the Iraqi Ministry of Industry and Minerals.

### 8.1 The Mining Industry in Iraq

In addition to Iraq's oil and gas resources, it possesses substantial mineral resources and some of the world's richest reserves including sulfur and phosphate. Up until recently, Iraq's Civil Society was not informed of, nor could it participate in debates regarding oil, gas and mineral production. The Iraqi public was not able to set production, exploitation and marketing policies with regard to Iraq's mineral resources, since sector-specific information was not public knowledge, and private participation to invest in such sectors was not open to Iraqi Nationals. After 2003, it became imperative to develop such policies, in order to regulate the exploitation of such resources in a manner that guarantees transparency and hence attracts investment that could further develop the industry through improving the image of Iraq in terms of being a reliable business partner and a safe destination for Foreign Direct Investments (FDIs). The following data was provided by the Ministry of Industry and Mining (MIM).

#### 8.1.1 The future outlook for key minerals and commodities in Iraq including proven probable and possible oil, gas and mineral reserves

By taking into account the Country's geographic distribution with regard to its sedimentary basins, and by conducting several campaigns of its mineral reserves exploration, it was possible to gain a clear view of the sources of minerals and the industrial rocks in Iraq, and hence determine the quality and quantity of the recoverable reserves of such resources for the purposes of developing them through industrial investment. The available data indicates the existence of vast quantities of phosphate (more than ten billion tons in Iraq's Western Desert alone ) and huge stocks of free sulfur (more than six hundred million tons in parts of Nineveh and Salah al-Din, recognized as being the first of its kind globally), in addition to vast reserves of silica sand, kaolin and limestone, salt, and other minerals across various parts of Iraq. The Kurdistan Region reveals promising evidence with regard to the existence of mineral resources such as lead, zinc and copper.

Iraq's mineral wealth will be one of the main pillars of Iraq's national economy in the upcoming years, which shall provide significant employment opportunities for Iraqis and contribute to the development of infrastructure and a sound industrial base in Iraq's various provinces.

#### 8.1.2 Iraq's current infrastructure

The mining infrastructure, which currently exists in Iraq, can be summarised as follows:

- Availability of a solid North/South network of oil and gas pipelines, particularly towards the export marine terminal through the Gulf and Turkey.
- Availability of a network that links roads between Iraq's major cities and governorates (Baghdad - Mosul – Basrah), and several others between different provinces.
- A rail network that links most cities and towns with mineral resources and raw materials locations.
- Most provinces and major cities are linked with export terminals in Basra.
- The presence of many civil airports (for example: in Baghdad, Basra, Sulaymaniyah, Erbil and Najaf).
- The presence of export ports in the Arabian Gulf such as the port in al- Basra province, the ports of al-Fao, and Khour al-Zubair in al-Basra province.
- Availability of mobile and landline telephone networks linking all major cities and provinces in Iraq.
- Availability of water resources through the Tigris and Euphrates rivers that cross the country, and through the Arabian Gulf.
- Availability of a national electrical power network throughout the country (although this is currently not sufficient to meet current and expected demand growth)
- The State intends to set up projects to generate more electrical power in all provinces in the country, in order to meet Iraq's current and future needs.

## ***8. The Mining Industries in Iraq (continued)***

- Availability of geographical maps of all the sedimentary basins identified in Iraq during the last century and their possible usages.
- Availability of local expertise and capacity building infrastructure to meet its expected demand growth.

The Iraqi Government is currently formulating policies pertaining to the rehabilitation of Iraq's infrastructure, which are intended to attract investors and equip Iraq for future development. These policies include institutional reforms, capacity building, and the provision and upgrade of core services, including extensive access to water, electricity, housing, sanitation and waste disposal. The government is seeking to improve the quality of life in both urban and rural areas by increasing the coverage of services and reducing environmental impact in accordance with the UN's Millennium Development Goals.

### ***8.1.3 The Iraqi Ministry of Industry and Minerals (MIM)'s strategy for growth in the Mining and Extractive Industries***

Because of its dependence on oil revenues and its limited revenues from other activities, Iraq's development economy has frequently been depicted as one-sector overly dependent. The Iraqi government has formulated a three-year strategy (2007-2010), which sets out its development plans and investment programs. This strategy represents an increased economic openness in Iraq's relations with the rest of the world. The strategy is based on four pillars that are designed to underpin the country's development activities, namely:

- Strengthening and diversifying the foundations of economic growth.
- Stimulating the private sector.
- Improving quality of life.
- Promoting good governance and establishing security.

Iraq currently uses its natural gas and minerals in its petrochemical industry and in its fertilizer production industry. In addition, natural gas is also used in power stations to provide electricity and to replace Liquid Petroleum Gas (LPG) imports whenever appropriate and possible.

The Ministry of Industry and Minerals (MIM) had recently established a short-term plan to restart, repair and transfer ownership of state-owned companies. The MIM had also developed a vision for a long-term plan that sets out a framework for the development of a national industry in this sector, utilizing Iraq's abundant resources, labor force and drawing on the investment possibilities of the private sector, both domestic and foreign.

### ***8.1.4 The views of senior decision-makers and Government Advisors on the future of the Mining and Other Resources Industries in Iraq***

The MIM had decided to expand Iraq's Mining Industry in order to provide greater investment opportunities in the field of exploring and developing its mineral resources. Joint coordination among the provincial councils in relation to the exploitation of these resources is currently taking place. This seeks to provide support to public companies that specialize in this industry, through the allocation of funds in order to facilitate the rehabilitation of the physical assets and capacity of those companies and to prepare them for public-private partnership or for privatization, when deemed appropriate.

## ***8. The Mining Industries in Iraq (continued)***

Although Iraq has some of the largest stocks of strategic minerals, the Mining Sector has been neglected in the past and, therefore, development in this sector has been slow in comparison with other countries.

According to the “State Owned Companies (SOEs) Guide of 2006”, the strategy for strengthening these industries is as follows:

- Short term:
  - Restarting and reforming viable manufacturing SOEs (this began in 2004 and was set to last for two years)
- Medium-term:
  - Preparing to transfer manufacturing SOEs to the private sector (this began in 2005 and was set to last for five years)
- Long-term:
  - Formulating a comprehensive policy framework for national industrial development led by the private sector (this began in 2004 and will continue thereafter.)

### ***Rehabilitation of Existing SOEs***

The MIM seeks to engage investors in the process of rehabilitating plants that are SOEs as they should be upgraded, developed and modernized. Investors who invest in this rehabilitation will be permitted to operate and manage these plants, and will get a share in the profits of production for a specified and agreed period.

In order to introduce investors to these opportunities, the MIM has prepared “Investment Files” that provide information on the prevailing technical conditions of each plant, rehabilitation requirements, granted privileges and obligations, general terms and conditions of the agreement regarding each plant, and other information, in order to enable investors to submit Joint Ventures and Production proposals.

### ***8.1.5 Iraq’s economic reforms and their implications for the oil, gas and mining sectors***

After approving the Metal Investment Law No. 91 for the year 1998 (and its amendments), which has not been fully implemented as of yet, the Council of Ministers Resolution No. 314 for the year 2010 has established a roadmap for restructuring and reforming state-owned companies. This roadmap permits a high level of flexibility with regard to overcoming the obstacles that companies face with the implementation of the restructuring process. In addition to the provision, the basis for selection of the members of the Restructuring Unit in coordination with the Unit of Economic Reform (Public Companies Reform Team, in which one of its members is a representative of the MIM) that inform through this "single window", the public and private interested bidders, of the entry conditions such as: technical and financial capability, proposed rehabilitation or development requirements, explore their abilities and distribute or direct them over business development and investment activities.

## 8. The Mining Industries in Iraq (continued)

### 8.1.6 Investment opportunities in the Mining Mineral Industries in Iraq

Due to the diversity of available raw materials in Iraq, and the availability of extensive proven reserves of quality specification minerals, the MIM has provided the following investment opportunities for investors in coordination with the State Company for Geological Surveys and Mining:

Project	Location
A tile-production plant project	Anbar Governorate
A free sulfur extraction and mineralization project	Nineveh Governorate
A silica sand production project (producing silica sand for the glass industry, foundries, thermo stone and silicon industries)	Anbar Governorate
A project for the extraction and mining of phosphatic deposits in Wadi Swab	Anbar Governorate
A feldspar ore production plant project.	Al-Najaf Al -Ashraf Governorate
A project for constructing an alumina production plant	Anbar Governorate
A project for the extraction and mining of phosphatic deposits at Wadi Al – Ilirri	Anbar Governorate
A sodium sulphate production plant project	Salah Al -Deen Governorate
Cement production plants.	Multiple governorates
A sodium carbonate production plant project.	Anbar Governorate

## 8. The Mining Industries in Iraq (continued)

### 8.1.7 Summary of Iraq's main mineral resources

Mineral Products	Location	Reserves	Uses
<b>Free sulfur</b>	Meshraq / Ninawa Governorate	About 600 m.t (extraction ability 60%)	Phosphatic fertilizers and chemicals industries
<b>Phosphorite 20-25% P<sub>2</sub>O<sub>5</sub></b>	Akashat / Anbar Governorate	More than 100000 m.t	Phosphatic fertilizers industry
<b>Sodium chloride (salt)</b>	Ninawa, Muthana and Anbar Governorates	More than 50 m.t	Food, textile and leather industries
<b>Glass sand</b>	Western Desert / Anbar Governorate	More than 75 m.t	Glass industry, ceramic, refractories and foundries
<b>Quartzite</b>	Western Desert / Anbar Governorate	More than 16 m.t	Silicon industries and furnace acid lining
<b>Feldspar bearing sand</b>	Al-Najaf Governorate	More than 00 m.t	Ceramic industries and filters
<b>Heavy minerals, sand, zircon, rutile and monazite</b>	Western Desert / Anbar Governorate	—	Jewelry manufacture (rutile), production of titanium zircon, zirconium monazite, thorium
<b>Glaubente ore</b>	Al-Shaiy Lake / Samarra Salah Al-Deen Governorate	About 22 m.t	Sodium sulphate used for the production of detergents and in the glass industry
<b>Limestone</b>	Ninawa, Anbar, Al-Najaf and Al-Muthana Governorate	More than 8000 m.t	Cement, lime, glass, ceramic producton, construction industry, paint production and marble substituents
<b>Dolomite</b>	Anbar and Al-Muthana Governorates	About 330 m.t	Production of magnesia, magnetite brick, glass, ceramics, iron, steel and in the construction industry
<b>Gypsum</b>	Ninawa , Salah Al-Deen, Anbar and Wasit Governorates	More than 130 m.t	Plaster for decoration and in the cement industry
<b>Sand and gravel</b>	Al-Najaf Alashraf and Holy Kerbala, Salah Al-Deen, and Basrah Governorates	Very big reserves	For use in construction and for filters

Source: Iraq Ministry of Industry and Mineral

## 8. The Mining Industries in Iraq (continued)

### 8.1.7 Summary of Iraq's main mineral resources

Mineral Products	Location	Reserves	Uses
<b>Recent clays</b>	Governorates located in the Mesopotamian	2858 m.t in brick industry and 450 m.m3 for cement industry	Brick and cement production
<b>Old formation clays</b>	Nenava, Salah Addin, and Diyala Governorates	Very big reserves	Brick production
<b>Kaolin clays</b>	Western desert Anbar Governorate	About 1200 m.t	Cement, refractories, white cement and historical bricks
<b>Clay</b>	Western desert Anbar Governorate	About 10 m.t	White cement and refractories
<b>Bentonite clays</b>	Western desert Anbar Governorate	About 22 m.t	Drilling mud for oil wells and concrete pillars, animal fodder preparation, vegetable oil bleaching, paraffin, foundry molding works
<b>Attapulgit Clays</b>	Western desert Anbar Governorate and Neneva Governorate	About 0.5 m.t	Salty drilling mud, bleaching for wax and vegetable oils
<b>Celestite (Strontium sulphate)</b>	AL-Najaf Alashraf and Holy Kerbala Governorate	About 0.8 m.t	Raw material for sugar extraction
<b>Porcellanite Siliceous rocks of low density less than 1 gm/cm<sup>3</sup></b>	Western desert Anbar Governorate	About 1.8 m.t	Vegetable oils purification, food industry, sulfur and light concrete production
<b>Bauxite (Aluminum ore)</b>	Western desert Anbar Governorate	About 1 m.t	Refractory and alum production
<b>Sedimentary iron</b>	Western desert Anbar Governorate	About 60 m.t	Resistant cement

Source: Iraq Ministry of Industry and Mineral

## 8. The Mining Industries in Iraq (continued)

### 8.1.8 Programs for geological mapping and mineral exploration in Iraq

The Geological Survey and Mining Company has a plan to establish a digital database providing geographic information regarding Iraq.

Databases that include information regarding Iraq's mineral resources, their locations, their type, the recoverable reserves and its related infrastructure will be made available for investors, intended for use in further exploration.

Geological surveys are currently being conducted throughout Iraq, in order to produce geological maps and to keep those maps updated in line with the requirements of technological developments in the Mining Industry.

Other programs include those related to exploration and exploitation of minerals in Iraq.

The Geological Survey and Mining Company's current activities include the following:

- Exploration of limestone (suitable for cement production) in the Qara Choq area, for the benefit of the Gar Company.
- Detailed geological survey (1:25000) of the Qara Choq area for the benefit of the United Construction Company.
- Detailed geological survey (1:25000) of the Qara Choq area for the benefit of the Shahee Zian Company.
- Reconnaissance geological survey of territory in the Muthana Governorate.
- Exploration of limestone (suitable for cement and lime production) at the Wadi Aubiyath locality for the benefit of the State Company of Southern Cement.

### 8.1.9 Industries/products related to mining minerals

Material	Industry
<b>Phosphate Rocks</b>	Fertilizers, phosphoric acid
<b>Raw sulfur</b>	Free sulfur
<b>Silica sand</b>	Glass, standard sand
<b>White kaolin</b>	Ceramic, cement
<b>Dolomite</b>	Glass, refractories
<b>Bentonite</b>	Drilling mud
<b>Limestone</b>	Cement, building, glass
<b>Gypsum</b>	Piaster
<b>Feldspar</b>	Ceramic, glass
<b>Quaternary clay</b>	Brick
<b>Salt</b>	Food, industry
<b>Gravel and Sand</b>	Construction
<b>Sedimentary iron</b>	Cement
<b>Clay</b>	White cement

Source: Iraq Ministry of Industry and Mineral

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*Lessons learned from this  
reconciliation*

## ***9. Lessons learned from this reconciliation***

Irrespective of how much planning has been carried out, there is always room for improvement and lessons learned from each reconciliation conducted. Experiences from this initial implementation of the EITI in Iraq are summarised below:

### ***9.1 Comprehensive reconciliation approach***

It is recommended to apply a comprehensive reconciliation approach without considering the comfort of the materiality threshold. Such approach would avoid the possibility of un-reconciled items that would not be justified if it was verified and reconciled.

#### ***Recommendation:***

Although the IEITI Board of Trustees will agree with the reconciler on a defined materiality threshold, it is recommended to apply a comprehensive reconciliation approach.

### ***9.2 Reporting deadlines***

The reconciliation process includes multiple tasks such like, data gathering, processing and validation which are very time consuming and require extensive efforts and follow ups. The process is very challenging specially when it comes to tied deadlines.

#### ***Recommendation:***

It is recommended that the IEITI Board of Trustees engage the reconciler earlier in the process in order to have more time to perform the reconciliation properly due to the challenging nature of this engagement and the time consuming tasks it requires.

### ***9.3 Sensitivity of reported information***

During the reporting / reconciliation process, the IEITI made clarifications with respect to the disclosure of confidential or sensitive information.

#### ***Recommendation:***

In future years, earlier communication regarding the importance on information would ensure better cooperation by reporting entities.

## ***9. Lessons learned from this reconciliation (continued)***

### ***9.4 Signatures***

Based on the guidelines, the reporting templates should be signed by the related personnel at the reporting entity. It had been noted that some of the templates were not signed, however the forms were received through the official emails of the reported entities.

**Recommendation:**

Future guidelines need to emphasise on the importance signing off the submitted templates.

### ***9.5 Auditor's report***

Buyers were requested to submit the auditor's report along with completed templates. Some companies failed to submit the audited reports along with the templates where the reconciler had sent reminders in this regard

Due to the current regulatory context in Iraq and the structure of the oil and gas industry, national oil companies are audited by the Iraqi Board of Supreme Audit (BSA) based on local Iraqi accounting standards. These Iraqi standards, when originally developed in the 1980's, were based on International Accounting Standards (IAS). However, these standards were not updated for over 20 years. Accordingly they will create a gap and understanding gap between national oil companies as compared with the industry practice.

The BSA had submitted a letter stating that they audit the governmental entities based on local standards, yet if circumstances arose that were not covered by the local standards, the BSA refers to the International Accounting Standards and International Financial Reporting Standards.

**Recommendation:**

It is recommended that buyers provide its audited financial statements to SOMO annually. Moreover, National Oil Companies should be audited in accordance with International Accounting Standards and International Financial Reporting Standards.

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# *Appendix 1 - Reporting entities*

## ***Reporting entities***

The following entities had been identified by the IEITI Council of Stakeholders as the reporting entities for the first IEITI report:

**International oil companies**

**Oil Marketing Company (SOMO)**

**Ministry of Oil**

**North Oil Company**

**South Oil Company**

**Missan Oil Company**

**Central Bank of Iraq**

**Ministry of Industry and Minerals**

**Ministry of Finance**

**International Crude oil Buyers**

**Jordan (Jordan Petroleum Refinery)**

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# *Appendix 2 - Instructions for completion of Templates*

# *Instructions for completion of Templates*

## **1. Timetable**

Reporting Templates must be completed and lodged with the IEITI Reconcilers by no later than 15 October 2012.

## **2. Lodgment**

Both hard and soft copies of the completed templates should be lodged by every company and Government Agency. Wherever possible, they should be accompanied by supporting schedules/information, and should provide a breakdown of the amounts/quantities declared on each line of the template.

Hard copies should be mailed to:

IEITI Reconcilers

PricewaterhouseCoopers "Jordan"

3rd Circle, Jabal Amman - 14 Hazza' Al Majali Street

P.O Box 5175, Amman 11183, Jordan

**AND**

National Secretariat For IEITI

Ministry of Oil Complex, 3rd floor

Zayounah, Baghdad-Iraq

Soft copies should be emailed to:

[iraqeiti@jo.pwc.com](mailto:iraqeiti@jo.pwc.com)

## **3. Templates**

A template needs to be completed by each Government Agency, SOMO and the buyers in respect of taxes listed have been paid/ received.

At the top of the buyers template, there is a space to enter the name of the buyer (company). This must be completed using the full and exact name of the company as it appears in its Articles of Incorporation, and as revised by any official name change where appropriate.

At the bottom of the buyers, SOMO and the Governmental Agencies' templates, there is a space to enter the name, authorized signature and the stamp. This must be completed using the full and exact name of the person responsible for completeness and accuracy of the data included in the template.

## **4. Queries and Guidance regarding completion of templates**

Should any queries arise while you are completing the Templates, you could seek clarifications by emailing the details of the query to: [iraqeiti@jo.pwc.com](mailto:iraqeiti@jo.pwc.com)

A guidance note will be circulated to all participations parties clarifying the issue.

All inquiries should be either in English or Arabic languages.

## **5. Currency of payment / receipt**

Both the Government and company templates contain columns that indicate the currency of the transactions (i.e. USD or IQ). Please note that items recorded in IQ should be rounded to the nearest thousand (IQ 000's).

Please do not translate any payments/receipts into the other currency as this poses a risk of different conversion rates being applied to the same transaction.

# *Instructions for completion of Templates (continued)*

## **6. Basis of reporting**

### **6.1 Amounts paid/received**

Unless otherwise stated in the template, all figures included in the reporting templates must be calculated on a strict cash basis. Accordingly, any payment made prior to 1 January 2010 should be excluded. The same applies to any payment made after 31 December 2010. For clarification, the date of payment is the date recorded on the receipt voucher/ supporting document.

## **7. Supporting schedules**

Supporting schedules should be prepared for all figures shown in reporting templates. Although not mandatory, it would be greatly appreciated if these schedules are lodged at the same time as the templates since they will assist the Reconcilers in the process of carrying out the reconciliation. A suggested format for the supporting schedules is available to all buyers, SOMO, and Government Agencies, in which they could use them as a tool for completing their respective templates. If supporting schedules are prepared in any other format, these are also welcomed. These might be in the form of computer print outs or typed lists.

Government Agencies should prepare supporting schedules detailing how each figure shown in the templates had been compiled. These schedules are to be submitted with the reporting templates. Copies of receipts may also subsequently be required to be submitted to the Reconciler, if discrepancies between the company's template and the Government templates are identified.

## **8. Attestations**

This is to remind the person signing off the completed template that the figures inserted on the template must be checked.

With regard to the Auditor's Report, this can be provided by the buyers, SOMO and the Governmental Agencies' external auditors (Board of Supreme Audit) or another "Bona Fide" registered auditor. The wording of the auditor's report is provided and should not be altered.

A record should be maintained detailing how items shown on the template reconcile with the items shown in the company's audited financial statements, as this information may be required by your auditors in order to make the required attestation.

## **9. Accounting records**

### **9.1 Companies**

For companies, as noted above, amounts paid should be reported based on cash basis of accounting. If the company normally prepares its accounting records based on accruals basis, i.e. the payment is recognized at the time it is due rather than at the time it is paid, adjustments will have to be made to include amounts recorded in the accounting records up to 31 December 2010 but actually paid after this date in the template, and exclude amounts recorded up to 31 December 2009 which were paid after this date. In other words, the accrual-based accounts must be converted to the cash basis.

It is recommended that a review of the cashbooks should be carried out to identify any payments missed through the ledger accounts. A review could also be carried out to ensure that all regular payments are accounted for.

### **9.2 Government Agencies**

With regard to the Government Agencies, receipts are to be reported based on cash basis. Care should be taken to ensure that amounts shown on the template shall include all receipts during the financial year 2010, irrespective of whether the receipt was allocated in the Agencies records against amounts due in a previous or subsequent financial year, unless otherwise stated in the template

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# *Appendix 3 - Reporting Templates*



# Templates

## Ministry of Oil/ Technical Department Form

Ministry of Oil/ Technical Directorate												
Forms for reporting UNDER EITI REGULATIONS												
Extracted and exported crude oil In CALENDAR YEAR 2010												
(Quantities are measured in barrels)												
Month/Reporting Items	North Oil Company				Missan Oil Company				South Oil Company			
	Beginning balance	Crude oil produced	Crude oil exported	Internal consumption	Beginning balance	Crude oil produced	Crude oil exported	Internal consumption	Beginning Balance	Crude oil produced	Crude oil exported	Internal Consumption
January												
February												
March												
April												
May												
June												
July												
August												
September												
October												
November												
December												
<b>Total Of Reportable Crude Oil</b>												
We confirm that the above information reflects the extracted, exported oil and internal consumption to be reported in accordance with the regulations on reporting and reconciliation of oil in the republic of Iraq.												
Name:												
Position:												
E-mail address:												
Location:												
Date:												
Authorized signature:												
Stamp:												

**TQR.16:** Oil production quantities (as reported by federal Ministry of Oil and KRG Ministry of Natural Resources) produced by national and regional oil companies and international oil fields development





# Templates

## SOMO FORM 2

Note: this form for each SOMO customer.

SOMO (FORM 2)																				
Buyer Name: _____																				
Forms for reporting UNDER IEITI REGULATIONS																				
Exported Crude Oil in CALENDAR YEAR 2010																				
(Quantities are measured in barrels)																				
	Shipment No.	Contract No.	Invoice No.	Invoice Date	Quantity in Barrels	Invoice Amount			Quantity in Tons	Quantities as reported by the third party verification company (SGS)	Port	Loading Date	LC No.	Destination	Due Date	API	Vessel's Name	Settlement	Notes	
						Barrel Price USD	Local currency (IQD)	Foreign currency (USD)												
1																				
2																				
3																				
4																				
5																				
6																				
7																				
8																				
9																				
10																				
11																				
12																				
13																				
14																				
15																				
etc...																				
<b>Total</b>																				
<b>Name:</b>																				
<b>Phone number:</b>																				
<b>E-mail address:</b>																				
We confirm that the above information has been prepared in accordance with International Public Sector Accounting Standards (IPSAS) under the cash basis of accounting or its equivalents based on audited accounts by the Board of Supreme Audit (BSA)																				
Name of the independent auditor for the year ended 31 December 2010																				
Date of the independent auditor report for the year ended 31 December 2010																				
Location																				
Date																				
CFO/CEO Signature																				
Stamp																				

TOR.18: Oil exports quantities as reported by Oil Marketing Company (SOMO) and KRIG oil marketing entity for financial year 2010.



# Templates

## ***Research on Iraqi Oil Markets (American, European, and Asian) by SOMO***

### Iraqi Extractive Industries Transparency Initiative (IEITI)

To: Oil Marketing Company (SOMO)

Dear Sirs,

At the request of the Iraqi Extractive Industries Transparency Initiative (IEITI), kindly send to PricewaterhouseCoopers "Jordan" at their address below, a Research on Iraqi Oil Markets that includes but not limited to the following:

- What is SOMO's strategy on marketing growth over Oil Markets (American, European, and Asian)?
- Details of Spot crude oil prices (PLATTS Rates \$/bbl) from 1 January 2010 to 31 December 2010.
- Historic and forecasted data pertaining to production, consumption, imports, exports and reserves regarding Iraqi Oil Markets (American, European, and Asian) for the period 2007-2015.
- Key information pertaining to Iraqi Oil Markets (American, European, and Asian) regulations.
- Information regarding the top companies purchasing Iraqi crude oil based on their market location (American, European, and Asian) including business description, strategic analysis, and financial information.
- Facilitate market analysis and forecasting of future industry trends in Iraqi Oil Markets (American, European, and Asian).
- Assess your competitor's major crude oil assets and their performance.
- Any other Research on Iraqi Oil Markets (American, European, and Asian) that you may provide us with.

Hard copies should be sent to:

PricewaterhouseCoopers "Jordan"

P.O. Box 5175 Amman 11183, Fax 00962 6 4610880 Hashemite Kingdom of Jordan

And/or

Jaddriyah, District No. 925, Street No. 34, House No. 26, Baghdad – Iraq

P.O. Box 2777 Jaddriyah, Tel 778 9282, 778 9135, 556 3074

Soft copies should be emailed to: [iraqeiti@jo.pwc.com](mailto:iraqeiti@jo.pwc.com)

Best Regards.

Name:

Signature:

# Templates

## ***Research on Mining Extractive Industry in Iraq by Ministry of Industry and Minerals.***

### Iraqi Extractive Industries Transparency Initiative (IEITI)

To: Iraqi Ministry of Industry and Minerals

Dear Sirs,

At the request of the Iraqi Extractive Industries Transparency Initiative (IEITI), kindly send to PricewaterhouseCoopers "Jordan" at their address below, a Research on Mining Extractive Industry in Iraq that includes but not limited to the following:

- The future outlook for key minerals and commodities in Iraq including confirmed and non-confirmed reserves.
- What is the infrastructure and logistics that currently exist? - Is Iraq's infrastructure prepared and equipped for the investment?
- What is the Iraqi Ministry of Industry and minerals strategy on Mining Extractive Industry growth?
- What are the views of senior decision-makers and Government Advisors on the future of the mining and wider resources industry in Iraq?
- Iraq's economic reforms and their implication on the Mining and Resources Sectors.
- A summary on the main mineral resources of Iraq.
- What are the investment opportunities in the Mining and Mineral Industries in Iraq.
- Are there any comprehensive systematic programs of geological mapping and mineral exploration that covers all the Iraqi territory?
- What are the industries that are related to Mining and Minerals in order to explore their suitability for revitalizing the industries in Iraq.

Hard copies should be sent to:

PricewaterhouseCoopers "Jordan"

P.O. Box 5175 Amman 11183, Fax 00962 6 4610880 Hashemite Kingdom of Jordan

And/or

Jaddriyah, District No. 925, Street No. 34, House No. 26, Baghdad – Iraq

P.O. Box 2777 Jaddriyah, Tel 778 9282, 778 9135, 556 3074

Soft copies should be emailed to: [iraqeiti@jo.pwc.com](mailto:iraqeiti@jo.pwc.com)

Best Regards.

Name:

Signature:

# Templates

## Central Bank of Iraq Form to FRBNY

To: Federal Reserve Bank of New York (FRBNY)

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.....

Dear Sirs,

At the request of the Iraqi Extractive Industries Transparency Initiative - IEITI), kindly send certificates in respect of our positions listed below as at 31 December 2010 to PricewaterhouseCoopers "Jordan" directly at their below address:

P.O. Box 5175 Amman 11183,  
Fax 00962 6 4610880  
Hashemite Kingdom of Jordan  
Att.: Haitham El-Boukhary  
[iraqeti@jo.pwc.com](mailto:iraqeti@jo.pwc.com)

- Detailed Bank statement of account for the year ended December 31, 2010 for the following accounts:

<b>Deposit Account Number</b>	<b>Account Title</b>
021086867	Central Bank of Iraq - Oil Proceeds Receipts Account
021086773	Central Bank of Iraq - Development Fund for Iraq
021080708	Central Bank of Iraq - Development Fund for Iraq Transition Account

Very truly yours,

Name:

Authorized Signatory:

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# *Appendix 4 – Validator 2009 Report Summary*

# Validator 2009 Report Summary

According to IEITI Validator (Adam Smith International) in its validation of the first IEITI report for the year 2009, the Validator stated that Iraq had met all requirements:

*"Since the appointment of the National Coordinator, Mr. Alaa Mohie El-Deen, in March 2009, EITI in Iraq has made tremendous progress in challenging circumstances. The first IEITI reconciliation report is a remarkable achievement and creates momentum for the initiative to strengthen and deepen in the coming years. As the industry structure has changed from entirely state-owned in 2009 to one which includes substantial involvement from International Oil Companies, the challenge will be for IEITI to produce reports that improve year on year in step with the increasing complexity of the sector in Iraq"*

**Source: Adam Smith International report**

## **1. Sign-up (requirements 1-5)**

*All sign-up requirements are now met, following on from the development of a redrafted bylaw for the ISC/MSG and a 2012 work plan and the plans to publish the work plan both online and in the print media.*

## **2. Preparation (requirements 6-13)**

*All preparation requirements are met. There is an ambiguity around international accounting standards and the Board of Supreme Audit. According to the reconciler, the BSA's standards are based on international standards from the 1980s, whereas the BSA states that international standards are followed in the absence of internationally-compliant local standards. For the 2009 report, there was not 100% consistency in terms of signing and stamping completed templates as well as for companies to attach their audited financial statements.*

## **3. Disclosure (requirements 14-17)**

*All disclosure requirements are met. Given the 100% state-owned structure of the oil and gas sector in 2009, disclosure was a simple matter of reconciling crude oil flows between the National Oil Companies and the government oil marketing agency SOMO as well as payments and receipts between SOMO and the international oil companies buying crude.*

## **4. Dissemination (requirement 18)**

*The dissemination requirement is met. However, IEITI appears not to have a communication strategy to plan and coordinate its communications activities. There was however a successful initial launch of the first report in March 2012, and outreach and dissemination activities are now being implemented.*

## **5. Review (requirements 19-20)**

*Those IOCs on the ISC/MSG – Shell, ExxonMobil and PetroChina – are enthusiastic supporters of IEITI. However, it is not clear the extent to which other companies have been engaged. The difficult political issue of the Kurdistan Regional Government (KRG) means it is unlikely that oil companies contracted through the KRG will be included in the next reconciliation report. The ISC/MSG has now produced a lessons learned report, which feeds into plans for the second reconciliation report".*

# Validator 2009 Report Summary (continued)

Furthermore, the validator had presented a Validation Grid for the IEITI 2009 first report validation as follows:

Requirement	Validator's Comments	Validator's Judgment
1.Public statement on EITI	The Minister of Oil committed to signing up to EITI at the Doha conference 16 <sup>th</sup> – 18 <sup>th</sup> February 2009. In addition, the Prime Minister gave a speech in support of EITI at the IEITI launch event, in January 2010.	Met
2.Government commitment	Presidential Order number 12 (2010) signed on the 26 <sup>th</sup> January 2010 is the formal foundation for the Iraq Stakeholders Council (ISC) – the MSG in Iraq.	Met
3.EITI champion	Former Inspector General at the Ministry of Oil, Alaa Mohie El-Deen was appointed the National Coordinator of EITI in Iraq in March 2009.	Met
4.Establish MSG	Corporate governance rules for the ISC/MSG set down in the bylaw for the body have now been updated, with stronger guidance on member selection and rules on length of tenure, disclosure of interests and disciplinary measures included.	Met
5.Work plan	An annual work plan for 2012 (including a status column) has now been drawn up and published online and in newspapers.	Met
6.Civil Society engagement	The ISC/MSG has now reviewed of how CSOs are selected onto the board, with new, more inclusive rules included in the updated ISC/MSG bylaw.	Met
7.Company engagement	IOCs operating in Iraq discuss EITI within the "IOC Forum." At present, companies operating in the Kurdistan Regional Government are not participating in EITI in Iraq.	Met

# Validator 2009 Report Summary (continued)

Requirement	Validator's Comments	Validator's Judgment
8. Obstacles to implementation	The ISC/MSG has now commenced reviewing the regulatory/legal constraints with options analysis on a legal framework for IEITI, as originally planned in the 2010 work plan.	Met
9. Materiality/Reporting templates	Materiality was set at 1% of total crude sales on the same day the first reconciliation report was approved. It is recommended that a review of all possible forms of materiality is commissioned as part of preparations for the second reconciliation report.	Met
10. MSG approval of the reconciler	All stakeholders agree that the appointed reconciler (PWC) is trustworthy, credible and technically competent.	Met
11. Ensuring companies report	All companies did report (albeit after a delay). However, it is recommended that the Terms of Reference for the next reconciliation report includes reconciliation with the audit of the DFI account. An MOU or other form of partnership with COFE may be considered in this regard.	Met
12. Company reporting standards	The model marketing contract should be amended to include an explicit requirement to submit audited accounts along with the completed template, as well as the company stamp and authorised signature. The same should be added for Technical Service Contracts/Production Sharing Contracts with the IOCs.	Met
13. Government reporting standards	Government templates must have an authorised signature in order to be deemed valid and completed.	Met
14. Disclosure of payments	Despite delays, all state-owned companies (NOCs) and IOCs disclosed all material payments in accordance with the agreed reporting templates. The data included in the KPMG audit of the DFI which led to the discrepancy between the IEITI report and the KPMG report - shipments to Jordan via a special price agreement - were below the agreed materiality threshold.	Met

# Validator 2009 Report Summary (continued)

Requirement	Validator's Comments	Validator's Judgment
15. Disclosure of receipts	As in 2009 the industry structure was 100% state-owned, the same analysis applies here as to requirement 14.	Met
16. MSG views on reconciliation	The ISC/MSG is satisfied with the first report. However CSOs outside of the MSG need more time to review draft findings for future reconciliation reports.	Met
17. Identification of discrepancies/ recommendations	While the first report does identify all discrepancies under the terms of the materiality threshold set, there were significant payments underneath the materiality threshold that led to a discrepancy between the IEITI report and the KPMG audit of the DFI. The audit of the DFI should be reviewed as part of the Terms of Reference for all future reconciliation reports.	Met
18. Dissemination	The ISC/MSG has now planned a series of outreach events where the 2009 report will be disseminated and discussed. It is recommended that IEITI now commission a baseline awareness survey.	Met
19. Company support	All companies involved in the oil and gas sector who were required to report did so in the 2009 report. However, as the industry structure has changed since then (with private sector IOCs involved in production) the IEITI will need to engage with these new companies to develop their awareness and understanding of EITI in Iraq.	Met
20. Acting on lessons learnt	The ISC/MSG is now preparing a review of the 2009 reconciliation report (taking inputs from CSOs and other stakeholders), as a preliminary exercise in advance of a new TOR for the 2010 report.	Met

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*Appendix 5 - DFI 2010 Statement  
of Proceeds of Oil Export Sales*

# Appendix 5 - DFI 2010 Statement of Proceeds of Oil Export Sales

DEVELOPMENT FUND FOR IRAQ  
STATEMENT OF PROCEEDS OF OIL EXPORT SALES  
FOR THE YEAR ENDED 31 DECEMBER 2010  
IN THOUSAND USD

	2010	2009
Total export sales of petroleum as reported by SOMO	52,202,645	41,329,854
Less:		
Demurrage claims deducted from export sales invoices	( 31,672)	( 2,782)
Proceeds deposited in Oil Proceeds Receipts Account after end of year	(4,936,362)	(4,156,197)
Add:		
Proceeds deposited in Oil Proceeds Receipts Account related to prior export sales invoices	4,156,197	1,780,392
Price differential	3,648	13,396
Interest on delayed bank transfers	4	4
<b>Total Proceeds deposited in Oil Proceeds Receipts Account</b>	<b>51,394,460</b>	<b>38,964,667</b>
Amounts transferred to the United Nation Compensation Fund (5%)	(2,569,723)	( 1,948,233)
<b>Net proceeds deposited in the Development Fund for Iraq (95%)</b>	<b>48,824,737</b>	<b>37,016,434</b>

The above statement of proceeds of oil export sales should be read in conjunction with the accompanying notes

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