



ADVOCATES AND
COUNSELS.

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Date: 21-02-2023.

Without Prejudice

To,

Mansoor Usman Awan,

AJURIS, Advocates & Corporate Counsel,

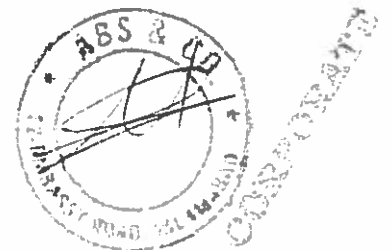
45, Street 13, F-7/2, Islamabad, Pakistan

Subject: Re: COMPLAINT AGAINST PARENT ENTITY OF "FRONTIER HOLDINGS LIMITED & SPUD ENERGY PTY LIMITED" JURA ENERGY CORPORATION ON BEHALF OF THE MINORITY SHAREHOLDER

We act for and on behalf of the Minority Shareholder (to be referred to as the "Aggrieved Shareholder") of Jura Energy Corporation (to be hereinafter referred to as "JEC") and were instructed to file this Complaint by our Client who wishes to elucidate the magnitude and voluminous nature of the indiscretion, malpractice and benevolent behavior adopted by the Board of Directors of JEC and its wholly owned subsidiaries SPUD Energy Private Limited (to be hereinafter referred to as "SEPL") and Frontier Holding Limited (to be hereinafter referred to as "FHL") to act independent of duty, function and practice that coincides with overarching principles of Good Corporate Governance and Compliance.

This is with reference to your Letter Dated 15th February 2023 (to be hereinafter referred to as "Letter No.1"). At the outset, it appears that your narration of the facts is based on mere delusions and baseless assumptions. You have categorically failed to realize the misconduct of your client which is currently under investigation by the relevant forum. The ongoing investigation will answer majority of the queries that you have mentioned in your Letter No. 1.

However, as the corresponding communication has been read and received by the respected officials of the Islamic Republic of Pakistan, we will continue to provide further assistance & information for the disbursement of both fair and equitable treatment, of the Aggrieved



Shareholder, i.e., Minority Shareholder. We would draw your attention on the following para-wise response to your concoctions:

1. The JEC 's Board has failed to disclose the several Notices issued by the Government to various Government nominated Buyers as to your Client's failure to pay the outstanding Royalty obligations towards the Government of Pakistan, pursuant to its activities within the Jurisdictional limits of Islamic Republic of Pakistan.

It is a stated fact that Three (3) Notices were issued to various Government Nominated Buyers and Private Gas Buyers as follows:

- i. Engro Fertilizers Limited "Engro" dated February 17th 2022
Subject: Withholding Payment against share of M/s Spud Energy Pty Ltd from invoices for sale of the Natural Gas from Reti Maru Field (Guddu Block):

The Notice stated as under:

"5. M/s Spud Energy Pty Ltd has been found to in continuing willful default of its obligations to pay the outstanding royalty of a total sum of Rs 100,371,256/- One Hundred Million Three hundred seventy one thousand two hundred fifty six Rupees...

6. It may be clarified that royalty is an Constitutional requirement in an oil and gas lease that gives the Government the right to receive 12.5% of the production from the leased acreage and it is the first charge of the government on the oil and gas produced and saved, therefore the Company has been selling the oil and gas and receiving the payment of 100% oil and gas without paying royalty to the Government in sheer violation of the 1986 Rules and PCA.



CORPORATE

7. The Competent Authority has decided to recover the outstanding royalty amount by directing the nominated buyers to recover the outstanding royalty amount by directing the nominated buyers to withhold the entire payment of the defaulter i.e M/s Spud Energy Pty Ltd of its share in the oil and gas produced from the lease till satisfaction of the entire claim and also to deduct at source the royalty amount at the rate of 12.5% from the share of Spud in future invoices.

8. You are directed to deposit forthwith the amount withheld as above in the following treasury accounts...

9. This issues with the approval of the Competent Authority."

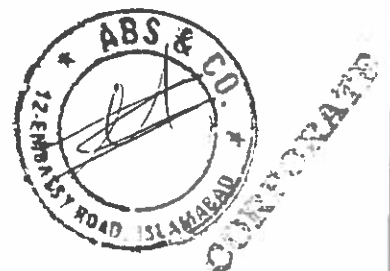
- ii. Sui Southern Gas Company Limited "SSGCL" and Pakistan Refinery Limited "PRL" dated February 17th 2022

Subject: Withholding Payment against share of M/s Spud Energy Pty Ltd from invoices for sale of the Natural Gas and Crude Oil/Condensate from Zarghun South Field (Bolan Block)

The Notice stated as under:

"5. M/s Spud has been found to in continuing willful default of its obligations to pay the outstanding royalty of a total sum of Rs 734,450,141/-

6. It may be clarified that royalty is an Constitutional requirement in an oil and gas lease that gives the Government the right to receive 12.5% of the production from the leased acreage and it is the first charge of the government on the oil and gas produced and saved, therefore the Company has been selling the oil and gas and receiving the payment of 100% oil and gas without paying royalty to the Government in sheer violation of the 1986 Rules and PCA.



7. *The Competent Authority has decided to recover the outstanding royalty amount by directing the nominated buyers to recover the outstanding royalty amount by directing the nominated buyers to withhold the entire payment of the defaulter i.e M/s Spud Energy of its share in the oil and gas produced from the lease till satisfaction of the entire claim and also to deduct at source the royalty amount at the rate of 12.5% from the share of M/s Frontier holding Company in future invoices*

8. *You are directed to deposit forthwith the amount withheld as above in the following treasury accounts...*

9. *This issues with the approval of the Competent Authority."*

- iii. Sui Southern Gas Company Limited dated February 17th 2022
Subject: Withholding Payment against share of M/s Frontier Holding Company from invoices for sale of the Natural Gas from Badin IV South Block.

The Notice stated as under:

"5. M/s Frontier holdings Limited has been found to in continuing willful default of its obligations to pay the outstanding royalty of a total sum of Rs 303,195,732/-. It may be clarified that royalty is an Constitutional requirement in an oil and gas lease that gives the Government the right to receive 12.5% of the production from the leased acreage and it is the first charge of the government on the oil and gas produced and saved, therefore the Company has been selling the oil and gas and receiving the payment of

100% oil and gas without paying royalty to the Government in sheer violation of the 2001 Rules and PCA.

6. The Competent Authority has decided to recover the outstanding royalty amount by directing the nominated buyers to recover the outstanding royalty amount by directing the nominated buyers to withhold the entire payment of the defaulter i.e M/s Frontier Holding of its share in the oil and gas produced from the lease till satisfaction of the entire claim and also to deduct at source the royalty amount at the rate of 12.5% from the share of M/s Frontier holding Company in future invoice

8. You are directed to deposit forthwith the amount withheld as above in the following treasury accounts..."

9. This issues with the approval of the Competent Authority. "

In light of the same it is submitted – that the Regulator has declared M/s FHL and M/s Spud as:

1. Royalty Defaulters
2. In breach of the Constitution of Pakistan
3. In breach of the Applicable Rules (1986 and 2001
4. In breach of the Petroleum Concession Agreement
5. Continuing willful default.

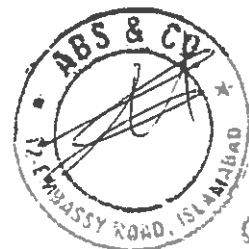
It was the duty of JEC to immediately issue a press release and disclose these Notices which JEC miserably failed to do so. Further, such non-disclosure of Notices issued by the Government of Pakistan & any subsequent reminders, including the assessment of watchdog i.e., Transparency International dated 16th December 2022 (Annexure-1) & 16th January 2023 (Annexure-2) tantamount to concealment of material information as the same were issued for non-compliance & violation of the wholly owned subsidiaries of JEC of their outstanding obligations towards the Government. Furthermore, such concealment misleads and has misled

the market as to the affairs of the Company i.e., your Client or JEC, and the similar acts of concealment, misquotation and misdirection are not condoned by the applicable laws. At the same time, these acts of indiscretion of Board of JEC have jeopardized the Assets of JEC. However, in such instances, where the Company fails to disclose material information immediately through press release, it requires immediate removal of Board of JEC following: failure to disclose, ill-informed decisions of BOD putting Assets of the Company in Jeopardy, active concealment, misdirecting the Regulators & misrepresenting the market players.

2. It appears that your understanding on the matter of disclosure is flawed to the core. For brevity, we would draw your attention on the pivotal point that your Client has failed to uphold and abide by the disclosure of material information and such concealment is evident from its negligence of disclosing the Notices dated 17th February 2022 & any subsequent reminders including the assessment of watchdog i.e., Transparency International dated 16th December 2022 (Annexure-1) & 16th January 2023 (Annexure-2), identifying JEC's failure to meet the outstanding Royalty Payments issued by the Government of Pakistan. In accordance, with the same, it is imperative to note that Royalty Payments have been misquoted in the disclosure as your Client has addressed the same to be paid but in reality it remained outstanding till the Government Nominated Buyer deducted Royalty Payments at source i.e., from the Gas Sale Proceeds of the Wholly Owned Subsidiaries of your Client, as per directions of the Prime Minister Office. (Attached Herewith) Furthermore, following your Report (MDA) your Client has both expressly & impliedly failed to disclose the Notices of Default of Royalty Obligations including subsequent reminders served by the Government of Pakistan & Report issued by a Watchdog i.e., Transparency International dated 16th December 2022 and 16th January 2023, (attached herewith). Furthermore, if your Client is compliant and there is no discrepancy, breach, violation and other concealments at play, it begs the question as to whether or not have any legal action has been taken against

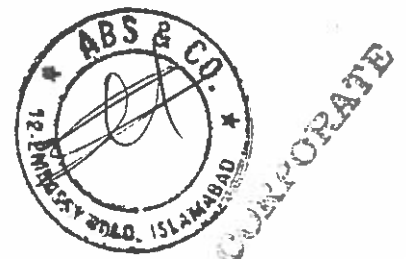
Transparency International. Therefore, it is safe to state that such pattern of misquotation as to payment of Royalty and non-disclosure is similar to concealment and misinformation in a continuous or consistent manner, thereby is in violation of the applicable laws. Hence, such concealments, misinformation and fabrication of reports, your Client is in breach of: Good Corporate Governance, Disclosure Requirements & other infringements.

3. Being audited by leading international audit firms does not justify the fact that the financial affairs of the Company are in order. There have been serious issues of concealment of facts including but not limited to the Notices issued by the Government of Pakistan including subsequent reminders served by GOP and the Reports of Transparency International, as mentioned hereinabove. Therefore, an official inquiry into the Financial Affairs of JEC should not be an issue if your assertion are correct. In various instances, internationally accredited Audit firms have been fined for failure to conduct proper audits and the same point is substantiated from FRC fining KPMG 5 million (p), where a 1.5 million (p) blackhole was found in account of CO-OP Bank which KPMG had audited for 40 years, before this discovery the Bank moved to EY. (Reference Attached herewith – <https://www.ft.com/content/00f93c2c-715a-11e9-bf5c-6eeb837566c5>). Therefore, having international auditors is not an evidence of having proper audits being done & carried out. Hence, your assertions are mere fabrications & based on delusions.
4. It is imperative to consider and note that both FHL and SPUD are non-operators in all of its Blocks except for one, of their Blocks and even if you compare this salary to the salaries of the leading CEO's and MD's of Pakistan's Oil and Gas sector including Multi Billion Dollar Operators including OGDCL, PPL, GHPL, MPCL, POL, UEPL this salary is unjustified according the standard industry norms. The compensation of CEO and other management expenses, is beyond the market or industry rates across the jurisdiction. The question is not about compensation being



duly approved or not, but rather the issue is of mismanagement and misappropriation of funds towards unwarranted compensations, in lieu of the financial irregularities at play within the BOD of JEC and the same is also supportive by your assertion of 'Capital Deficiency' in paragraph (6) of your letter. The question is not about compensation being duly approved or not, but rather the issue is of mismanagement and misappropriation of funds towards the compensation. It is astonishing to note that despite outstanding royalty payments CEO compensation is so high. Despite the cash flow issues of FHL & SPUD, it seems that the exorbitant compensation of the CEO has been set in order for him to perform more illicit works like this. Further in reiteration of our letter dated 07th February 2023, it is further demanded that there must be a proper disclosure of what work is being done by the CEO for related parties as well. Therefore, access to all of CEO's emails, private and official, internal, external and to related parties should be disclosed.

5. In reiteration of the response to paragraph (4) hereinabove, your attention is redrawn to the pivotal issue that JEC's Wholly Owned-Subsidiaries i.e., FHL & SPUD, are non-operator in all of their Blocks except for one. Further, it is imperious to consider that such increase or boom in benefits, is unjustified on account of JEC facing Capital deficiency and its subsidiaries loosing or jeopardizing Assets of JEC. Therefore, the financial position of the Company is not ideal for such booms in benefit but a good corporate practice would indicate that the benefit i.e., Employee benefits, should increase on pro-rata basis, and rather not a massive increase in benefits whereof the Company has high liabilities and less Assets. Therefore, such mismanagement and improper decision making is a direct concern of any Shareholder and for the matter of record, it is a concern for the Aggrieved Shareholder, i.e., the Minority Shareholder.



6. It appears that your understanding of the matter is fundamentally flawed and ill-founded. The matter is of ensuring the balance between the expenses and the remittance received by your Client. In reiteration of the response to paragraph (5) above, it is further safe to assert that such compensations in light of the 'working capital deficiency' stands to be contrary to the long-term interests of the Company but rather is an apt reflection of personal gains of the management, while the Company alongwith its Shareholders bear the risks & loss. Hence, your assertions are baseless and devoid of reality.
7. As mentioned in Paragraph (1), and Notice Issued by GOP dated 17th February 2022, Payment of Royalty Obligations, is a Constitutional requirement upon the Companies operating in Pakistan and by virtue of a Company not complying with this Constitutional requirement, is in Willful Default. The same is reproduced below:

"6. It may be clarified that royalty is a Constitutional requirement in an oil and gas lease that gives the Government the right to receive 12.5% of the production from the leased acreage and it is the first charge of the Government on the oil and gas produced and saved. Therefore, the Company has been selling the oil and gas and receiving the payment of 100% oil and gas without paying royalty to the Government in sheer violation of the 1986 Rules and PCA".

The foregoing provision and analysis of the GOP is indicative as to the nature and extent of the Royalty Obligations i.e., when Royalty is payable. It raises the question as to whether an inflated shareholder loan takes precedence over disbursement of first charge i.e., Royalty Payments. Further, if the repayment of shareholder loan takes precedence, this begs for evidence as to whether the GOP waived the right to charge Royalty?. It appears that no such waiver has been issued by the GOP and in failure to do so, the incident of payment of Royalty is on immediate basis following

remittance of Gas Sale proceeds and rather not is payable as per will. Hence, the BOD of JEC is incapable of handling the affairs of the Company in a manner that is beneficial in long-term. In accordance with the same, it is imperative to note that Mr. Nadeem Farooq has weighed the scales of obligations in a manner to support personal motives rather not the long-term stability of JEC. Thereby, it is safe to assert that there is a lot of weight in the assertion that the Directors of the Company have colluded and therefore are being investigated in light thereof, by the top Canadian Regulators. Hence, your contention as to shareholder loans appears to be a sham device and the same point is substantiated by the failure to consider the prevailing market interest rates or repayment terms.

8. Please find attached the chronological order since the issuance of Notices by GOP:

S/n.	Date	From	Addressee	Subject	Content
1.	17 th February 2022	DGPC	SSGCL & Pakistan Refinery Limited	<i>Withholding Payment Against Share of M/S SPUD Energy Pty Ltd from Invoices For Sale of The Natural Gas and Crude Oil/Condensate From Zarghun South Field (Bolan Block)</i>	Notice Issued in relation to Royalty
2.	17 th February 2022	DGPC	Engro Fertilizers Limited	<i>Withholding Payment against share of M/s Spud Energy Pty Ltd from invoices for sale of the Natural Gas from Reti Maru Field (Guddu Block)</i>	Notice Issued in relation to Royalty
3.	17 th February 2022	DGPC	SSGCL	<i>Withholding Payment against share of M/s Frontier Holding Company from invoices for sale of the Natural Gas from Badin IV South Block.</i>	Notice Issued in relation to Royalty
4.	16 th December 2022	Transparency International	Prime Minister Office of	<i>Complaint against M/S SPUD Energy and M/S Frontier Holdings Companies willfully</i>	Highlighting the Default of FHL & SPUD towards obligations towards GOP

			Pakistan (Transparency International – Pakistan)	<i>defaulting of their obligations to pay outstanding royalty 12.5% amounting approx., PKR 1.13 billion on the sale of natural gas/crude oil from Reti Maru Field, Badin IV South Block and Zargun South Field</i>	
5.	16th January 2023	Transparency International	Prime Minister Office of Pakistan (Transparency International – Pakistan)	<i>Complaint against M/S SPUD Energy and M/S Frontier Holdings Companies willfully defaulting of their obligations to pay outstanding royalty 12.5% amounting approx., PKR 1.13 billion on the sale of natural gas/crude oil from Reti Maru Field, Badin IV South Block and Zargun South Field</i>	Highlighting the Default of FHL & SPUD towards obligations towards GOP
6.	20th January 2023	Prime Minister Office	Petroleum Division	<i>Complaint against M/S SPUD Energy and M/S Frontier Holdings Companies willfully defaulting of their obligations to pay outstanding royalty 12.5% amounting approx., PKR 1.13 billion on the sale of natural gas/crude oil from Reti Maru Field, Badin IV South Block and Zargun South Field</i>	P.M. Office directed Petroleum Division to ensure recovery of outstanding amount within 2 weeks and submit compliance report.
7.	27th January 2023	DGPC	SSGCL	<i>Complaint against M/S SPUD Energy and M/S Frontier Holdings Companies willfully defaulting of their obligations to pay outstanding royalty 12.5% amounting approx., PKR 1.13</i>	DGPC directed SSGCL to recover the Outstanding

				<i>billion on the sale of natural gas/crude oil from Reti Maru Field, Badin IV South Block and Zargun South Field</i>	
8.	14 th February 2023	DGPC	Prime Minister Office	<i>Complaint against M/S SPUD Energy and M/S Frontier Holdings Companies willfully defaulting of their obligations to pay outstanding royalty 12.5% amounting approx., PKR 1.13 billion on the sale of natural gas/crude oil from Reti Maru Field, Badin IV South Block and Zargun South Field</i>	DGPC confirms Royalty amounting to PKR 1.025 billion has been deducted by M/s SSGCL from the sales invoices of the defaulting companies, M/s Spud Energy and M/s Frontier Holding Company, and the same has deposited into the Government treasury by M/s SSGCL,

In accordance with the foregoing documents, it is evident that Royalty Obligation remained outstanding despite various reminders & notices issued by the GOP. The GOP has declared FHL & SPUD as Royalty Defaulters. In light of the same, Transparency International ("TI") issued a dossier on 16th December 2022 addressed to the Honorable Prime Minister of Pakistan, copied to the State Minister for Petroleum Division, Chairman NAB (National Accountability Bureau), Prime Minister's Inspection Commission, Chairman OGRA, Chairman SECP and the Registrar of Supreme Court of Pakistan. TI pointed out, that FHL & SPUD Energy were in consistent willful default of their outstanding royalty obligations amounting to PKR 1.13 Billion. TI Pakistan took up the complaint and wrote to the Prime Minister in its dossier, to look into the matter and direct the regulators to recover the outstanding amount along with the interest prior to proceeding further on the contracts with the two companies. The PM office intervened in the matter and directed the Petroleum Division to recover the long outstanding Royalty amount.

The Petroleum Division instructed SSGCL (Government Nominated Gas Buyer) to withhold and deduct the outstanding amount at source. It was then SSGCL, who upon the direction of the P.M. Office & the Regulator deducted the outstanding amount.

It is a matter of fact that the Regulator has declared both FHL and SPUD as 'Royalty Defaulters' and in light of the direct intervention of the Prime Minister Office; the Royalty payments in various Blocks, were deducted at source by the Government Nominated Buyers and rather not discharged by JEC in the required manner. Therefore, it is safe to state that your Client has failed to disburse its obligations in good faith and good practice, as a party to the Joint Venture but rather such Royalty deductions are self-illustrative as to the scale of neglect and mismanagement your Client has been engaged-in. Hence, your contentions are primarily flabbergasted and misquoted.

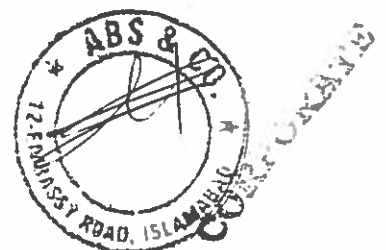
9. In accordance with the Canadian Law, the non-disclosure or failure to disclose identifies breach. If it is your wish to respond to this, then you may respond to the TSX-V and ASC in Canada where there is an investigation initiated against your client on both the forums. Both the regulators have been notified regarding your breach and your Client should be prepared for facing the relevant authorities for its discretions and indiscretions. The relevant forum and jurisdiction have been identified for your kind perusal. Furthermore, the appropriate forums are as captioned hereinabove i.e., TSX-V and rather not TSX. Hence, we request a fine research and analysis at your end for your ability to respond to the issues in an able manner.
10. It appears that your Client has been able to conceal the misappropriations, mismanagement, irregularities and other discrepancies for a decade. However, such a tenure of non-investigation is not evident for your compliance and the same shall

not comfort you to consider that affairs of your Client have been fully compliant with the requisite requirements under the relevant laws.

11. We would reiterate our stance categorically made in response to paragraph (7) hereinabove. It further appears that your Client, i.e., the Directors, have miserably failed to consider the position of the Company prior to availing inflated loans. However, if such consideration has been made, then such inflated interest rates are evident for syphoning of funds while primary obligations of the Company remain outstanding, i.e., Royalty. For brevity, we would reiterate our stance of Royalty deductions and rather not payments, as made hereinabove paragraph (8). Hence, your understanding is baseless and fallacious.
12. We would reiterate our response to paragraph (8) and redraw your attention towards the difference between deduction at source and payment made in good practice or in compliance with the due obligations. The matter is reiterated that the Regulator has declared both FHL and SPUD as 'Royalty Defaulters' and in light of the direct intervention of the Prime Minister Office; the Royalty payments in various Blocks were deducted at source by the Government Nominated Buyers and rather not discharged by JEC in the required manner. The foregoing provision mentioned hereinabove in response to Paragraph (7) and analysis of the GOP is indicative as to the nature and extent of the Royalty Obligations i.e., when Royalty is payable. It raises the question as to whether an inflated shareholder loan takes precedence over disbursement of first charge i.e., Royalty Payments. Further, if the repayment of shareholder loan takes precedence, this begs for evidence as to whether the GOP waived the right to charge Royalty?. It appears that no such waiver has been issued by the GOP and in failure to do so, the incident of payment of Royalty is on immediate basis following remittance of Gas Sale proceeds and rather not is payable as per will. Hence, the BOD of JEC is incapable of handling the affairs of the Company in a manner that is beneficial in long-term. It is a matter of fact that the

Regulator has declared both FHL and SPUD as 'Royalty Defaulters' and in light of the direct intervention of the Prime Minister Office; the Royalty payments in various Blocks, were deducted at source by the Government Nominated Buyers and rather not discharged by JEC in the required manner.

13. We would redraw your attention towards the striking a distinction between availing loans on rates beyond the scale of the stability of the Company and the prevailing market rates. For your ease of understanding, we would reiterate that your contention as to shareholder loans appears to be a sham and the same point is substantiated by the failure to consider the prevailing market interest rates or repayment terms.
14. The response to your paragraph (14) is outrightly denied on account of the response to paragraph (7, 8 & 13) provided hereinabove.
15. The response to paragraph (8 & 12) is reasserted. It is a matter of fact that the Regulator has declared both FHL and SPUD as 'Royalty Defaulters' and in light of the direct intervention of the Prime Minister Office; the Royalty payments in various Blocks, were deducted at source by the Government Nominated Buyers and rather not discharged by JEC in the required manner. Hence, your contentions are denied on account of misquotation, misapplication and misinformation.
16. The issue of INED's, is misunderstood and therefore we would reassert the stance made earlier for your better understanding of the Canadian Laws. It is appears that your assertions are a mere attempt to evade responding to the central issues i.e., failing to disclose, mismanagement & misappropriation of funds, malpractices that is backed by personal gains *ibid response to paragraph 7, 9, 11 & 13.*
17. The response to Paragraph 7 till 16, is reasserted here for brevity. Further, in a nutshell, it appears that you have engaged constantly in evading the response and

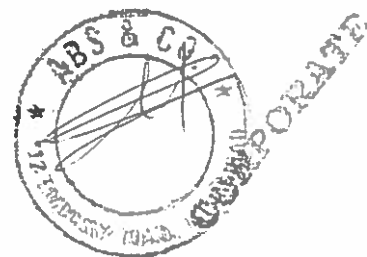


have merely resorted to your active & successful tattletales of concealment, misdirection, misquotation and non-disclosures.

18. It appears that you have not duly read, understood and identified the fundamental flaws in your Client's disclosures. Once again, your response is inadequate and is not an apt reflection of the issues at hand i.e., concealment, non-disclosure, misquotation and misrepresentation within your Client's disclosure.
19. We would reiterate our response to paragraph 8 & 12 hereinabove. Furthermore, the use of word 'settled' is a mere contention without any merits as Royalty payments have been deducted at source upon the directions of the Prime Minister Office and after FHL & SPUD having been declared as 'Royalty Defaulter' by the concerned Regulator, and rather not paid as required under the laws.
20. In response to Paragraph 20, 21 & 23, we would draw your attention on the pivotal point as to the difference between malpractice stemming from concealment, non-disclosure, mis-disclosures and outstanding obligations. It appears your understanding is blemished and your contentions are mere assertions that are devoid of reality, facts at hand, documents issued by officials and the disclosures done by your Client.

We reserve the right to remain anonymous, which is a granted under the Applicable Laws. Furthermore, we are only reflecting the malpractices, poor governance practice, non-compliant behavior of the Directors of your Client, non-disclosures and misquotations carried out in the MDA by your Client.

Please note that the matter of outstanding Royalty Payment stemmed from a Notice by the Regulator declaring FHL & SPUD as Defaulters, subsequent reminders followed by a Complaint by Transparency International on which an action was taken by the Prime Minister



Office, whereby the Government Nominated Buyer i.e., SSGCL, withheld the Gas Sale Proceeds and remitted the outstanding Royalty amount in Regulators account. Nowhere, does this construe as a Settlement as insinuated by you rather is an action of State to curb, control & recover FHL & SPUD's default on its Constitutional Obligations.

Further, please also find attached a report issued by Transparency International Pakistan (annexure-3), titled "Success Story PKR 1.13 Billion Outstanding Royalty Recovered from two Companies on TI Pakistan Intervention". This Report adequately supports the preceding paragraphs and the above narration. Moreover, please find below links of leading newspapers in Pakistan highlighting the willful default of FHL & SPUD, in lieu of their outstanding Royalty Obligations:

S/n.	Newspaper	Title	Date
1.	Pakistan today	TIP Cries Foul at Non-Payment of Rupees 1.13 Billion Royalty by Oil Firms	24 th December 2022
2.	Profit Pakistan today	Is the Government Turning a Blind Eye to the Rupees 1.5 Billion it is Owed by to Oil & Gas Companies	29 th December 2022
3.	Pro Pakistani	Oil Firms Allegedly Default on Paying Rupees 1.13 Billion Royalty to Government	30 th December 2022
4.	Dawn News	Two Oil Firms Not Paying Royalties	15 th January 2023
5.	Profit Pakistan today	PM Orders Recovery of Rupees 1.13 Billion Royalty Amount from Two Oil & Gas Firms	1 st February 2023
6.	Dawn News	SSGCL asked to Recover Pending Dues of Rupees 1.4 Billion from Oil Companies	4 th February 2023
7.	Business Recorder	PM Directs PD to Recover Rupees 1.13 Billion Royalty Amount from Two Oil, Gas Companies	5 th February 2023
8.	Dawn News	Two Oil Firms Pay Rupees 1.4 Billion Dues	12 th February 2023
9.	Pakistan Today	Government Recovers 1.4 Billion Royalty Amount	13 th February 2023

		from Two Oil, Gas firms	
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Kindly note that your letters amount to harassing a minority shareholder and the same shall be shared with the Canadian Regulators.

Furthermore, the Minority Shareholders possess inherited rights which they can exercise when aggrieved by the parent company and our client has adopted the exact principle.

We reserve all the rights in the matter to take appropriate steps & action in concerned Jurisdiction.



Barrister Shahrukh Iftikhar

ABS & Co.

Copy to:

- o The Prime Minister of Pakistan
The Prime Minister's Office (Pakistan),
- o Mr. Bilawal Bhutto Zardari
Foreign Minister of Pakistan
- o Mr. Musadiq Masood Malik
Minister of State for Petroleum
- o Captain (R) Mohammad Mahmood
Additional Secretary (in-charge) Petroleum
- o Mr. Sajid Qazi
Additional Secretary Petroleum (Policy)

- Mr. Muhammad Hassan Iqbal
Additional Secretary Petroleum (Admin)
- Mr. Kashif Ali
Director General Petroleum Concessions
- Mr. Abdul Rasheed Jokhio
Director General Gas
- Mr. Hafiz Mubasshir
Director General Oil
- Mr. Imran Ahmad
Director General LNG
- Mr. Masroor Khan
Chairman OGRA
- Mr. Imran Maniar
MD SSGCL
- Mr. Ali Javaid Hamdani
MD SNGPL
- Mr. Syed Khalid Siraj Subhani
MD (OGDCL)
- Mr. Faheem Haider
MD MPCL
- Mr. Hussain Dawood
Chairman Engro Corp
- Canadian High Commission
- Mr. Zahid Mir
MD Pakistan Refinery Limited



CORPORATE

- Mr. Shahzad Zaheer
Chairman PEL
- Mr. Munther Al Mailam
Chairman GPXP
- Mr. Masood Nabi
MD GHPL
- Mr. Ali Murtaza
Regional Vice President, Middle-East Africa & Pakistan MOL
- Mr. Imran Abbasy
MD PPL
- Transparency International Pakistan
- Additional Secretary MOFA
- Mr. Nadeem Farooq
CEO Jura
- Mr. Akif Saeed
Chairman Securities & Exchange Commission of Pakistan
- Mr. Akeel Karim Dedhi
Chairman AKD Securities



CORPORATE



TRANSPARENCY INTERNATIONAL - PAKISTAN

Plot 72-F/2, 1st Floor, 9th Street, Jami Commercial,
Phase VII, Defence Housing Authority, Karachi
Phone: +92-21-35390408, 35311898
Fax: +92-21-35390410
Email: ti.pakistan@gmail.com
Website: www.transparency.org.pk

December 16, 2022

TIP 2022/1216/1A

Principal Secretary (PSPM)
Prime Minister of Pakistan
Prime Minister House,
Islamabad

(For the Attention of the Prime Minister of Pakistan)

Subject: Complaint against M/s SPUD Energy and M/s Frontier Holding Companies willfully defaulting of their obligations to pay outstanding royalty 12.5% amounting approx. PKR 1.13 billion on the sale of natural gas/crude oil from Reti Maru Field, Badin IV South Block and Zargun South Field

Honorable Prime Minister,

TI Pakistan has received a complaint against M/s SPUD Energy and M/s Frontier Holding on willfully defaulting of their obligations to pay outstanding royalty 12.5% amounting PKR 1.13 billion on the sale of natural gas/crude oil from Reti Maru Field, Badin IV South Block and Zargun South Field. (Annex-A)

The complainant has made the following allegations:

That,

1. To undertake petroleum exploration activities, exploration licenses were granted to M/s SPUD Energy over Guddu and Bolan blocks, and to M/s Frontier Holding Companies over Badin IV South Block. These licenses were given under the provision of Pakistan Petroleum (Exploration and Production) Rules, 1986.
2. On account of commercial discovery in these blocks, the President granted a development and production leases to the holders of license to undertake development activities and produce petroleum. M/s Sui Southern Company (SSGCL) is the nominated buyer of the natural gas and crude oil/condensate from Bolan Block and Badin IV South Block, while M/s Engro Fertilizers is the nominated buyer of the natural gas from Guddu Block.
3. Under Rule 36 of the 1986 Rules read with the Article 9.1 of the Petroleum Concession Agreement (PCA), the license holders M/s SPUD Energy and M/s Frontier Holding are under an obligation to pay royalty to the Government at a rate 12.5% of the petroleum produced and saved. The royalty on gas is collected by the Federal Government and paid to the province where the wellhead of gas is situated under Article 161 of the Constitution.
4. M/s SPUD Energy has been found to be in continuing willfully defaulting of its obligation to pay the outstanding royalty of the total sum of PKR 834,821,397, while M/s Frontier Holding has been found to be in continuing willfully defaulting of its obligation to pay the outstanding royalty of the total sum of PKR 303,195,732, a total of approx. 1.13 billion loss to National Exchequer.
5. Ministry of Energy – Petroleum Division had been deceived into allowing the assignment and transfer by way of ECC Summary and Summary for the Prime Minister dated September 1st 2022 of PCL's 35% WI to M/s SPUD in Hannah Exploration License, the Prime minister Office vide letter dated September 13th 2022 has taken a serious notice of the said transfer and raised the following objections:

A NON-PARTISAN, NON-PROFIT COALITION AGAINST CORRUPTION

Donations exempted from tax U/S 2 (36) (c) of I. Tax Ordinance 2001



- i. *The un-signed annexures containing the recommendation of the regulator is silent regarding the financial capability of acquiring company and clearance of government dues and other obligations by the assigning companies. Similarly, the technical strength of companies which will be assigned the working interest has also not been indicated.*
 - ii. *Amount outstanding and/or subjudice before courts against the existing holders of licence and the assignees, if any, has not been mentioned.*
 - iii. *Deeds/contact documents are not vetted by Law Division.*
 - iv. *Annexures attached with the Summary are un-signed.*
 - v. *It shall be ensured that irrevocable Bank Guarantees in respect of outstanding amounts (if any) as well as obligations corresponding to the acquired working interest are taken from the companies, which have requested for transfer of working interest." (Annex B)*
6. The office of the Directorate General Petroleum Concessions has issued various Show Cause Notices and Default Notices to M/s SPUD Energy and M/s Frontier Holding including certain Gas Buyers and Oil Buyers including M/s SSGCL, Pakistan Refinery and others to start withholding payments against share of M/s SPUD from invoices for sale of Natural Gas and Crude Oil from fields in which M/s SPUD had working Interest.
7. It can be clearly seen from their Financial Statement instead of paying government obligations these defaulters have paid shareholders loan worth millions of dollars using gas sales receipt which is totally not just illegal but also morally incorrect (Financial statements attached). They have also charged consultancy services with the help of their subsidiaries.

Transparency International Pakistan's Comments

Based on the authenticity of the submitted documents, particularly the 03 letters dated February 17, 2022 from Ministry of Energy (Petroleum Division) to M/s Sui Southern Gas, M/s Pakistan Refinery and M/s Engro Fertilizers, prima facie it appears that the complaint is correct. M/s SPUD Energy and M/s Frontier Holding have defaulted their obligation paying a royalty of PKR 1.13 billion, combined with the loss of interest on defaulted amount to National Exchequer for many years.

Transparency International Pakistan's Recommendations

TI Pakistan requests the Prime Minister of Pakistan to kindly look into this matter, and if it is found to be correct, then direct the regulators to first recover the outstanding amount approx. PKR 1.13 billion from M/s SPUD Energy and M/s Frontier Holding prior to proceeding further on these contracts.

Transparency International Pakistan is striving for across the board application of Rule of Law, which is the only way to stop corruption, and achieve against Zero tolerance against corruption.

Regards

Advocate Daniyal Muzaffar,
Trustee/Legal Advisor
Transparency International Pakistan

Copies forwarded for the information with request to take action under their mandate to:



1. State Minister for Petroleum Division
2. Chairman, NAB, Islamabad
3. Prime Minister's Inspection Commission (PMIC), Islamabad
4. Chairman, OGRA, Islamabad
5. Chairman, SECP, Islamabad
6. Registrar, Supreme Court of Pakistan, Islamabad

Note:

This is to clarify that Transparency International Pakistan is not the complainant. It acts as whistleblower and operate under Article 19-A, of the Constitution of Pakistan which gives the right to public to know how government is being run by public officers. Article 19-A makes the right to access of information pertaining to a public authority a fundamental right, Justice Syed Mansoor Ali Shah in his landmark judgment in case of Ataulah Malik v. Federation of Pakistan includes following order;

Right to information is another corrective tool which allows public access to the working and decision making of the public authorities. It opens the working of public administration to public scrutiny. This necessitates transparent and structured exercise of discretion by the public functionaries. Article 19-A empowers the civil society of this country to seek information from public institutions and hold them answerable. PLD 2010 Lahore 605.

MOST IMMEDIATE
THROUGH FAX

No. Accounts 1(24)/2014-15 Vol-1 Part
Government of Pakistan
Ministry of Energy (Petroleum Division)
Directorate General of Petroleum Concessions

Islamabad, the February 17th, 2022.

(i) The Managing Director
Sui Southern Gas Company Limited
Sf 4/B, Block 14, Sir Shah Suleman
Road Gulshan-e-Iqbal
Karachi.

(ii) The Managing Director
Pakistan Refinery Limited
Korangi Creek Road
Karachi

Subject: WITHHOLDING PAYMENT AGAINST SHARE OF M/S SPUD ENERGY Pty Ltd
FROM INVOICES FOR SALE OF THE NATURAL GAS AND CRUDE
OIL/CONDENSATE FROM ZARGHUN SOUTH FIELD (BOLAN BLOCK).

Dear Sirs,

Effective from November 30, 1994, the President granted an exploration licence over Bolan Block under and in accordance the provisions of the Pakistan Petroleum (Exploration and Production) Rules, 1986 ("1986 Rules") to undertake petroleum exploration activities within the licence area. Simultaneously with the grant of licence, the President and the holders of petroleum right executed the Bolan Petroleum Concession Agreement (PCA) to give effect to the incentives and packages of the Pakistan Petroleum (Exploration & Production) Policy, 1994.

2. On account of commercial discovery in the block, the President granted a development and production lease to the holders of licence to undertake development activities and produce petroleum from the Zarghun South field. The current working interest owners are (i) M/s. GHPL; (ii) M/s. Al-Haj (iii) M/s. Spud Energy and (iv) M/s. Mari Petroleum Limited.

3. Under Article-X of the PCA, the President nominated Sui Southern Company Limited (SSGCL) as the nominated buyers on behalf of the President of the natural gas produced from the Bolan Block.

4. Under Rule 36 of the 1986 Rules, the Working Interest Owners are under an obligation to pay royalty to the Government at a rate of 12.5% of the Petroleum produced and saved. Furthermore, the royalty on gas is collected by the Federal Government and paid to the province where the wellhead of gas is situated under Article 161 of the Constitution.

5. M/s. Spud energy has been found to be in continuing willful default of its obligation to pay the outstanding royalty of a total sum of Rs 734,450,141/-

6. It may be clarified that royalty is an Constitutional requirement in an oil and gas lease that gives the Government the right to receive 12.5% of the production from the leased acreage and it is the first charge of the Government on the oil and gas produced and saved, therefore, the Company has been selling the oil and gas and receiving the payment of 100% oil and gas without paying royalty to the Government in steer violation of the 1986 Rules and PCA.

7. The Competent Authority has decided to recover the outstanding royalty amount by directing the nominated buyers to withhold the entire payment to the defaulter i.e. M/s Spud energy of its share in the oil and gas produced from the lease, till satisfaction of entire claim and also to deduct at source the royalty amount at the rate of 12.5% from the share of Spud in future invoices.

8. You are directed to deposit forthwith the amount withheld as above in the following treasury accounts:

For Natural Gas

C03906

9. This issues with the approval of the Competent Authority.

Yours Truly,



(Kashif Ali)

Director General (Petroleum Concession)

051-9204176

Copy to:

- (i) SPS to Secretary, Petroleum Division, Government of Pakistan, Islamabad
- (ii) DG(GAS)
- (iii) DG(Oil)
- (iv) ✓ MD MPCL

No. Accounts 1(24)/2014-15 Vol-1 Part
Government of Pakistan
Ministry of Energy (Petroleum Division)
Directorate General of Petroleum Concessions

Islamabad, the February 17th, 2022.

(i) The Managing Director
Sui Southern Gas Company Limited
St-4/B, Block 14, Sir Shah Suleman
Road Gulshan-e-Iqbal
Karachi.

Subject: WITHHOLDING PAYMENT AGAINST SHARE OF M/S FRONTIER HOLDING COMPANY FROM INVOICES FOR SALE OF THE NATURAL GAS AND CRUDE OIL/CONDENSATE FROM BADIN IV SOUTH BLOCK.

Dear Sirs,

Effective from January 5, 2006, the President granted an exploration licence over Badin IV South Block under and in accordance the provisions of the Pakistan Petroleum (Exploration and Production) Rules, 2001 ("2001 Rules") to undertake petroleum exploration activities within the licence area. Simultaneously with the grant of licence, the President and the holders of petroleum right executed the Badin IV south Petroleum Concession Agreement (PCA) to give effect to the incentives and packages of the Pakistan Petroleum (Exploration & Production) Policy, 2001. Subsequently Block was converted into Petroleum Policy 2012 w.e.f 30.08.2012.

2. On account of commercial discovery in the block, the President granted a development and production leases to the holders of licence to undertake development activities and produce petroleum from the Badin IV South Block. The current working interest owners are (i) M/s. PEL; (ii) M/s. Frontier Holding (iii) M/s. Gulf Petroleum.

3. The President nominated Sui Southern Company Limited (SSGCL) as the nominated buyers on behalf of the President of the natural gas and crude oil/condensate produced from the Badin IV South block.

4. Under Rule 35 of the 2001 Rules, the Working Interest Owners are under an obligation to pay royalty to the Government at a rate of 12.5% of the Petroleum produced and saved. Furthermore, the royalty on gas is collected by the Federal Government and paid to the province where the wellhead of gas is situated under Article 161 of the Constitution.

5. M/s. Frontier Holding Company has been found to be in continuing willful default of its obligation to pay the outstanding royalty of a total sum of Rs 303,195,732/- It may be clarified that royalty is a Constitutional requirement in an oil and gas lease that gives the Government the right to receive 12.5% of the production from the leased acreage and it is the first charge of the Government on the oil and gas produced and saved, therefore, the Company has been selling the oil and gas and receiving the payment of 100% oil and gas without paying royalty to the Government in steer violation of the 2001 Rules and PCA.

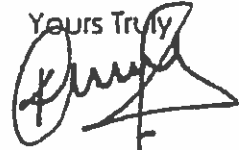
The Competent Authority has decided to recover the outstanding royalty amount by directing the nominated buyers to withhold the entire payment to the defaulter i.e. M/s Frontier Holding of its share in the oil and gas produced from the lease till satisfaction of entire claim and also to deduct at source the royalty amount at the rate of 12.5% from the share of M/s Frontier Holding Company in future invoices.

8. You are directed to deposit forthwith the amount withheld as above in the following treasury accounts:

For Natural Gas	C03906
-----------------	--------

9. This issues with the approval of the Competent Authority.

Yours Truly



(Kashif Ali)

Director General (Petroleum Concession)
051-9204176

Copy to:

- (i) SPS to Secretary, Petroleum Division, Government of Pakistan, Islamabad
- (ii) DG(GAS)
- (iii) CEO PEL

MOST IMMEDIATE
THROUGH FAX

No. Accounts 1(24)/2014-15 Vol-I Part
Government of Pakistan
Ministry of Energy (Petroleum Division)
Directorate General of Petroleum Concessions

Islamabad, the February 17th, 2022.

The President
Engro Fertilizers Limited
7th & 8th Floor, Harbor front Building
Marine Drive, Block-4 Clifton
Karachi.

Subject: WITHHOLDING PAYMENT AGAINST SHARE OF M/S SPUD ENERGY Pty Ltd
FROM INVOICES FOR SALE OF THE NATURAL GAS FROM RETI MARU FIELD
(GUDDU BLOCK).

Dear Sirs,

Effective from May, 31, 1999 the President granted an exploration licence over Guddu Block under and in accordance the provisions of the Pakistan Petroleum (Exploration and Production) Rules, 1986 ("1986 Rules") to undertake petroleum exploration activities within the licence area. Simultaneously with the grant of licence, the President and the holders of petroleum right executed the Guddu Petroleum Concession Agreement (PCA) to give effect to the incentives and packages of the Pakistan Petroleum (Exploration & Production) Policy, 1997.

2. On account of commercial discovery in the block, the President granted a development and production lease to the holders of licence to undertake development activities and produce petroleum from the Reti & Maru fields. The current working interest owners are (i) M/s. OGDCL (ii) M/s. GHPL (iii) M/s. Spud Energy and (iv) M/s IPR Transoil.

3. Under Article-X of the PCA, the President nominated Engro Fertilizer Limited as the nominated buyers on behalf of the President of the natural gas produced from the Reti & Maru fields.
Exploration and Production Rules 1986

4. Under Rule 36 of the 1986 Rules read with Article 9.1 of the PCA, the Working Interest Owners are under an obligation to pay royalty to the Government at a rate of 12.5% of the Petroleum produced and saved. Furthermore, the royalty on gas is collected by the Federal Government and paid to the province where the wellhead of gas is situated under Article 161 of the Constitution.

5. M/s. Spud Energy Pty Ltd has been found to be in continuing willful default of its obligation to pay the outstanding royalty of a total sum of Rs 100,371,256. One Hundred million three hundred seventy one thousand two hundred fifty six Rupees (approx.).

6. It may be clarified that royalty is a Constitutional requirement in an oil and gas lease that gives the Government the right to receive 12.5% of the production from the leased acreage and it is the first charge of the Government on the oil and gas produced and saved, therefore, the Company has been selling the oil and gas and receiving the payment of 100% oil and gas without paying royalty to the Government in steer violation of the 1986 Rules and PCA.
*100% oil and gas sold
without paying*

7. The Competent Authority has decided to recover the outstanding royalty amount by directing the nominated buyers to withhold the entire payment to the defaulter i.e. M/s Spud Energy of its share in the gas produced from the lease till satisfaction of entire claim and also to deduct at source the royalty amount at the rate of 12.5% from the share of Spud in future invoices.

8. You are directed to deposit forthwith the amount withheld as above in the following treasury accounts:

For Natural Gas

C03906

9. This issues with the approval of the Competent Authority.

Yours Truly,

(Koshif Ali)
Director General (Petroleum Concession)
051-9204176

Copy to:

- (i) SPS to Secretary, Petroleum Division, Government of Pakistan, Islamabad.
- (ii) DG(Gas).
- (iii) MD (OGDCL).

Reminder
MOST IMMEDIATE
THROUGH FAX

No. Accounts 1(24)/2014-15 Vol-I Part
Government of Pakistan
Ministry of Energy (Petroleum Division)
Directorate General of Petroleum Concessions

Islamabad, the June 13th, 2022.

(i) The Managing Director
Sui Southern Gas Company Limited
St-4/B, Block 14, Sir Shah Suleman
Road Gulshan-e-Iqbal
Karachi,

(ii) The Managing Director
Pakistan Refinery Limited
Korangi Creek Road
Karachi

Subject: WITHHOLDING PAYMENT AGAINST SHARE OF M/S SPUD ENERGY Ply Ltd
FROM INVOICES FOR SALE OF THE NATURAL GAS AND CRUDE
OIL/CONDENSATE FROM ZARGHUN SOUTH FIELD (BOLAN BLOCK).

Dear Sirs,

I am directed to refer to this Division letter of even number dated 17th February, 2022 on the subject cited above and to say that M/s SSGCL and M/s PRL was advised to withhold the entire payment to the royalty defaulter i.e. M/s Spud energy of its share in the oil and gas produced from the Bolan lease and deposit all outstanding royalty in the Government treasury immediately however no response has been received as yet.

2. A Public Accounts Committee meeting has been scheduled on 22.June.2022 and Spud energy Royalty related Para will also be discussed in the said PAC meeting, therefore you are again requested to deduct at source the royalty amount at the rate of 12.5% from the share of Spud in future invoices and deposit the same into the Government treasury. You are also requested to make it convenient to attend the PAC meeting of 22.06.2022.

Yours Truly,


(Ch Muhammad Shabaz)
Dy. Director (F&P)
051-9206124

Copy to:

- (i) SPS to Secretary, Petroleum Division, Government of Pakistan, Islamabad.
- (ii) PA to DGPC

Secret

Government of Pakistan
Ministry of Energy (Petroleum Division)
.....

SUMMARY FOR THE PRIME MINISTER

Subject: ASSIGNMENT OF WORKING INTEREST IN EXPLORATION
LICENSES/BLOCKS

The Directorate General Petroleum Concessions has received two separate requests for assignment of working interests. (i) Assignment of 35% working interests in the Hanna Block from Mari Petroleum Company Limited (MPCL) to Spud Energy Private Limited (SEPL), and (ii) Assignment of 30% working interests in Margalla Block from M/s MOL Pakistan to M/s Mari Petroleum Company Limited (MPCL). The companies have also submitted the draft deeds of assignment for the same. Both Hanna and Margala Blocks are governed by Pakistan Petroleum Exploration and Production Rules 2001. The requests for assignments and the draft Deed of Assignments (DoAs) are well in line with the provisions of applicable rules.

2. Rule 8 of Pakistan Petroleum (E & P) Rules 2001 requires the prior approval of Government for any such assignment. Rule 8 of the Rules 2001 is reproduced as under:

"A petroleum right or any working interest therein shall not be assigned without the previous consent in writing of the Government".

3. Both assignment requests have been reviewed thoroughly taking into consideration the technical and financial capabilities and incorporation details of the acquiring company as well as the clearance of Government dues and other obligations by the assigning company. Detailed evaluation of each assignment request and recommendation of the regulator are attached as (Annexure I & II).

4. The case for assignment of 35% working interest of M/s MPCL to M/s SEPL in Hannah Block and 30% working interests of M/s MOL to M/s MPCL in Margala Block, require approval of the Federal Cabinet. The draft Summary for Cabinet for assignment of 35% working interest of M/s MPCL to M/s SEPL in Hannah Block and 30% working interests of M/s MOL to M/s MPCL in Margala Block is attached as (Flag-A).

5. The Prime Minister being Minister In-Charge of Petroleum Division is requested to authorize submission of the Summary (Flag-A) to the Cabinet.


(Ali Raza Bhutta)
Secretary

Secretary to the Prime Minister's, Prime Minister's House, Islamabad
MoE(PD) Expl-7(3)(MGCL Hanna)/2015-Vol-III dated Islamabad, the 1st September, 2022

Assignment of working interest in Hanna Exploration License/Block.

Name/ Block No.	Hanna / 3066-4
Operator/Joint Venture Partner	Mari Petroleum Company Limited (MPCL) (100%)
Area	886.65 Km ²
Districts	Harnai, Mastung, Quetta & Sibi
Province	Balochistan
Grant Date	21-06-2006
Validity Date	20-09-2022
Rule	Pakistan Petroleum (Exploration & Production) Rules 2001
Policy	Pakistan Petroleum (E&P) Policy, 2001 (converted into Policy, 2012)
Current Phase/Term	Phase-I
Assignment of working interest	Assignment of 35% (non-operated) working interests in the Hanna Block from Mari Petroleum Company Limited (MPCL) to Spud Energy Private Limited (SEPL)
Relevant extension rule	<p>Rule-8 of the Rules 2001: <u>"A petroleum right or any working interest therein shall not be assigned without the previous consent in writing of the Government"</u></p> <p>Rule-9 of the Rules 2001: <u>"An application by the holder of a petroleum right for consent to the assignment of a petroleum right shall be made in writing addressed to DGPC, and shall be accompanied by a fee of ten thousand rupees. With the application, the applicant shall furnish the like particulars in respect of the proposed assignee as are required to be furnished in the case of applicants for a petroleum right"</u>.</p>
<p align="center">Recommendation of Petroleum Division</p> <p>Considering the request of the company being in line with the rules and requirement the Petroleum Division, in light of rule 8 and 9 of Pakistan Petroleum (E & P) rules 2001, recommends the assignment of M/s MPCL's 35% working interest to M/s SEPL, in the Hanna Block subject to the conditions that:</p> <ol style="list-style-type: none"> M/s SEPL will submit an irrevocable Bank Guarantee corresponding to their acquired working interests in Hanna Block, before the execution of the Deed of Assignment, against the work commitment. In case of any miscommunication / misinterpretation, withholding of information and concealment of facts or any default thereof shall render the consent and approval null and void and assignor and/ or assignee shall be responsible for the same and will be liable to pay any penalty as decided by the Authority. The Governments revenue will not be adversely affected after this Assignment. 	

MPCL

Mari Petroleum Company Limited

21 Minerva Area, Old Road, G-10/4, Islamabad 44000, Pakistan.
UAN: +92-51-111-410-410 Fax: +92-51-2352850 P.O. Box No. 1614

www.mpcl.com.pk

ENR: 1414673-0
GST No. 07-01-2710-033-73

MPCL/ODC/Hanna/051
13th April, 2022

Director General Petroleum Concession (DGPC)
Directorate General of Petroleum Concession,
Ministry of Energy (Petroleum Division),
3rd Floor, Petroleum House, Sector G-5/2, Islamabad.

Subject: Assignment of Working Interest in Hanna Block (No. 3066-4) to Spud Energy Pty Limited

Dear Sir,

This is in reference to assignment of 35% (non-operated) Working Interest to Spud Energy Pty Limited (SEPL) in Hanna Block (No. 3066-4).

The Government vide its letter (no. Expl-7(3) (MGCL-Hanna)/2015-Vol.III) dated 30th November, 2021 has regularized EL and granted one year extension to MPCL till September 2022.

Recently, MPCL (upon expression of interest by SEPL) entered into discussions with SEPL for assignment of certain (non-operated) Working Interest out of MPCL's existing 100% Working Interest in the Block.

MPCL now intends to assign 35% (non-operated) Working Interest in the Block to SEPL and therefore hereby submits this application to DGPC pursuant to Article 7 of PCA and Rule 8 and Rule 9 of the Rules 2001 for its approval of the Working Interest assignment.

In this regard, please find enclosed a draft "Deed of Assignment" for assigning 35% (non-operated) Working Interest to SEPL, for your review and approval, along with a copy of payment challan for an amount of PKR 10,000/- on account of fee and application of SEPL for assignment of Working Interest as per First Schedule, pursuant to Rule 9 of the Rules 2001.

We are available if any further information/documentation is required in this regard.

Best regards,


Hassan Mehmood
Director (Business Development & Commercial)

Enclosed: as state above

Copy to: CEO SEPL



Daharki Field Office

Daharki, District Ghosia,
P.O. Box 111-410-410
UAN: +92-51-111-410-410
Fax: +92-51-2352850

Karachi Liaison Office

O-07, Block-4, Khekhshan
Canton, Karachi-75600,
Pakistan. UAN: +92-21-111-410-410
Fax: +92-21-35070273
P.O. Box No. 3007

Quetta Liaison Office

26, Survey 31,
Defence Officers Housing Scheme,
Airport Road, Quetta.
Tel: +92-01-2621052, 2639790
Fax: +92-01-2334485

[Draft]

DEED OF ASSIGNMENT - HANNA BLOCK

THIS DEED OF ASSIGNMENT (the "Assignment Deed") is executed at Islamabad on this ____ day of ____ 2022, by and between:

1. The President of the Islamic Republic of Pakistan, (hereinafter referred to as the "President" (which term shall include his successors in office and assigns) of the First Part); and
2. Marl Petroleum Company Limited, a company incorporated under the laws of Pakistan and having its registered office at 21, Mauve Area, 3rd Road, G-10/4 P.O. Box 1614, Islamabad (hereinafter referred to as "MPCL" which term shall include its successors and assigns) of the Second Part; and
3. Spud Energy Pty Limited, a company existing under the laws of Pakistan, having its registered office at 3rd floor, 22 East, Saeed Plaza, Jinnah Avenue, Blue Area, Islamabad, Pakistan (hereinafter referred to as "SEPL" which term shall include its successors and assigns)

(The President, MPCL and SEPL shall hereinafter jointly be referred to as the "Parties" and individually as a "Party")

WITNESSETH:

WHEREAS, on 21st June, 2006 the President granted a Petroleum Exploration Licence No. 383/PAK/2006 (the "License") in respect of Block No. 3066-4 (Hanna) (the "Block") to the ~~Farmor~~ MPCL in accordance with the provisions of Pakistan Petroleum (Exploration & Production) Rules 2001 (the "Rules");

WHEREAS, simultaneous with the grant of the License, the President and the ~~Farmor~~ MPCL, as the Operator, executed the Petroleum Concession Agreement dated 21st June, 2006 in respect of the Block as supplemented and amended thereafter from time to time (the "PCA") with the Joint Operating Agreement (the "JOA") annexed thereto to be signed between the Working Interest Owners ("WIOs").

WHEREAS, the Securities & Exchange Commission of Pakistan vide Certificate of Incorporation of Change of Name bearing Corporate Universal Identification No. 001 2471 dated 19th November, 2012 certified the name of Marl Gas Company Limited (MGCL) as Marl Petroleum Company Limited (MPCL) as intimated to DGPC vide letter MPCL/DDM/SA/59 dated 18th March, 2013. Subsequently the President and MPCL executed a Supplemental Agreement to PCA (the "Supplemental Agreement to PCA") dated 27th September, 2013 reflecting the change of name of MGCL to MPCL w.e.f. November 19, 2012.

WHEREAS, a supplemental agreement to PCA (the "Supplemental Agreement to PCA") dated 15th April, 2015, was executed with the Government for conversion of the Block to Pakistan Petroleum Exploration and Production Policy 2012. The License, PCA, JOA, Supplemental Agreement to PCA and all annexures and appendices as amended from time to time and related or subsequent approvals in relation thereto, shall hereinafter collectively be referred to as the "Concession Documents".

1 of 6

WHEREAS, MPCL holds 100% of the rights and obligations in the Block pursuant to the Concession Documents and has agreed to assign thirty five percent (35%) of its Working Interest (the "Assigned Interest") to SEPL (the "Assignment"), and SEPL has agreed to take and accept such Assigned Interest from the Assignment Date (as defined below) and a similar undivided interest in the Joint Operations and Joint Property arising under the Concession Documents;

AND WHEREAS, the Government has granted its consent to MPCL for Assignment of the Assigned Interest to SEPL as required under Article 7-VII of the PCA and Rule 8 and 9 of the Rules.

NOW THEREFORE, In consideration of the premises and the mutual covenants set out in this Assignment Deed, the Parties agree as follows:

1. This Assignment Deed is and shall construed as a deed supplemental to and amending, in part, the Concession Documents. Except as expressly amended in this Assignment Deed, the Concession Documents shall remain in full force and effect according to their respective provisions.
2. Words and expressions defined in the Concession Documents and not otherwise defined in this Assignment Deed shall have the same meanings ascribed to them in the Concession Documents. Reference to an Article mean Article of this Assignment Deed, unless otherwise identified. The singular includes the plural and vice versa.
3. In this Assignment Deed unless the context otherwise requires the "Assignment Date" means 1st October, 2021.
4. As of the Assignment Date, in consideration of mutual covenants MPCL hereby assigns to and vests in SEPL, and SEPL hereby takes and accepts the assignment of Assigned Interest under the Concession Documents and similar undivided interest in the Joint Property and Joint Operations arising under the Concession Documents, subject to the condition that SEPL shall be responsible for its proportionate share of rights and obligations accruing on or after the Assignment Date, and MPCL shall be responsible for all liabilities and obligations occurring prior to the assignment date.
5. The Parties shall be entitled to all rights and privileges and shall be subject to all obligations and liabilities relating to the Working Interests being assigned hereunder in accordance with the same provisions, conditions and limitations of the Concession Documents.
6. As a result of the foregoing assignment, MPCL and SEPL shall from the Assignment Date own and be entitled to the percentage Working Interests under the Concession Documents and proportionate undivided interests in the Joint Property and the Joint Operations in the Block as specified below:

Working Interest Owners

MPCL (Operator)
SEPL

Working Interest

65%
35%

7. The Parties hereby agree and declare that all the requirements of the Rules and the Concession Documents relating to the assignment of the Working Interest being assigned hereunder have been fulfilled in accordance with the provisions thereof.
8. Without prejudice to the generality of the foregoing, certain amendments are also made in the Concession Documents as set forth in the "SCHEDULE OF THE ASSIGNMENT DEED" annexed herewith.
9. The Parties ratify and confirm the Concessions Documents as amended by this Assignment Deed in accordance with the "SCHEDULE OF THE ASSIGNMENT DEED" annexed herewith.
10. This Assignment Deed shall be governed by and shall be given effect to under the laws of Pakistan.

IN WITNESS WHEREOF, the Parties hereto have executed this Assignment Deed on the date first above written.

Signed for and on behalf of
The President of the Islamic Republic of Pakistan

By: _____

Witness

Name :

CNIC :

Signed for and on behalf of
Mari Petroleum Company Limited

By: _____

Witness

Name :

CNIC :

Witness

Name :

CNIC :

Witness

Name :

CNIC :

Signed for and on-behalf of
Spud Energy Pty Limited

By: _____

Witness

Name :

CNIC :

Witness

Name :

CNIC :

SCHEDULE OF THE ASSIGNMENT DEED
(This Schedule shall form part of the Assignment Deed)

PART A:

The Exploration License shall be amended as follows:

- a. On the title page of Exploration License, Insert SEPL as party after MPCL.
- b. In first paragraph of License, after the description of MPCL, the description of SEPL is hereby inserted to the following effect:

"and

"Spud Energy Pty Limited, a company existing under the laws of Pakistan, having its registered office at 3rd floor, 22 East, Saeed Plaza, Jinnah Avenue, Blue Area, Islamabad, Pakistan (hereinafter referred to as "SEPL" which term shall include its successors and assigns) OF THE THIRD PART."

- c. In the first paragraph of the License insert the wording "and SEPL" after the wording "AND MPCL".
- d. In the terms and conditions Clause-1 under the heading "Company" and "Working Interest", amend the entries as follows:

<u>Company</u>	<u>Working Interest%</u>
"MPCL	65%
SEPL	35%

- e. Every reference to MPCL, in the License in their capacity as Licensee is hereby amended to include a reference to SEPL also.

PART B:

The Petroleum Concession Agreement "PCA" shall be amended as follows:

- a. On the title page of PCA, Insert "SEPL" as party after MPCL.
- b. In the first paragraph, after the description of MPCL and occurrence of the words "of the second part;" the description of SEPL is inserted to the following effect:

"and Spud Energy Pty Limited, a company existing under the laws of Pakistan, having its registered office at 3rd floor, 22 East, Saeed Plaza, Jinnah Avenue, Blue Area, Islamabad, Pakistan (hereinafter referred to as "SEPL" which term shall include its successors and assigns) of the third part."

- c. In Article 5.1, the "Working Interests throughout the Area" shall be read as follows:

"MPCL : 65%
SEPL : 35%"

d. With respect to Article 30.3 of the PCA, following address of SEPL shall be inserted after 30.3(b):

"(c) In the case of SEPL to:
3rd floor, 22 East, Saeed Plaza, Jinnah Avenue, Blue Area, Islamabad
Attention: Chief Executive Officer
Telephone: (to be inserted)
Fax Number: (to be inserted)"

e. Wherever the words "Marl Petroleum Company Limited" and/or "MPCL", is appearing, insert thereafter the words "Spud Energy Pty Limited" and/or "SEPL", as appropriate.

f. Excluding the preamble, to the PCA and Article 2.2(a), each and every reference to "MPCL" in the Petroleum Concession Agreement (including recitals thereto) shall be immediately followed by words in each and every instance "and SEPL".

PART C:

The Joint Operating Agreement "JOA" shall be amended to the following extent:

a. On the title page of the JOA, insert "SEPL" as party after MPCL.

b. In the first paragraph, after the description of MPCL, replace the wording "2. XYZ having its registered office at _____ Pakistan (hereinafter referred to as "XYZ" which expression shall include its successors and assigns)" with the following wording:

"2. Spud Energy Pty Limited, a company existing under the laws of Pakistan, having its registered office at 3rd floor, 22 East, Saeed Plaza, Jinnah Avenue, Blue Area, Islamabad, Pakistan (hereinafter referred to as "SEPL" which term shall include its successors and assigns)."

c. Except in Article 5.1 of the JOA, wherever the words "Marl Petroleum Company Limited" and/or "MPCL" is appearing, insert thereafter the words "Spud Energy Pty Limited" and/or "SEPL", as the context requires.

This Schedule of the Deed of Assignment ends here.

APPLICATION FOR AN EXPLORATION LICENSE

1. Name of the applicant in full

Spud Energy Pty Limited

2. (A) Particulars of the Company:

(a) Principal Place of business

Australia

(b) If principal place of business is outside Pakistan, name and address of duly authorized agent in Pakistan

Muhammad Nadeem Farooq
3rd Floor, 22 East
Saeed Plaza, Jinnah Avenue,
Blue Area, Islamabad, Pakistan

(c) Nature of business

Oil and Gas Exploration and Production

(d) Authorized, subscribed and paid up capital of the company

Authorized Capital	Subscribed and Paid-up Capital
Unlimited	AUD 72,045,286 (Australian Dollar Seventy Two Million Forty Five Thousand Two hundred and Eighty Six Only). 72,045,286 ordinary shares of par value AUD 1.0/- each

(e) Names of directors

Nationality

Mr. Nadeem Farooq
Syed Hasan Akbar Kazmi
Mr. Iain Splttal

Pakistani
Pakistani
Australian

(f) Names of principal shareholders

Amount of Shareholding

Jura Energy Corporation (JEC)

100%

- (B) Provide a copy of Articles and Memorandum of Association alongwith Certificates of incorporation and annual audited reports of last three years of all the applicants:

Enclosed

3. State whether a Reconnaissance Permit, Exploration License or a Petroleum Development and Production Lease is required

Exploration License

4. Period of which the Petroleum right is required

The remaining term of the License (License No. 383/PAK/2006)

5. Situation and approximate size of the area or areas for which Application is made

Hanna Exploration License, License No. 383/PAK/2006, Baluchistan, Area 886.65 Sq.Km

6. Brief Particulars of Previous experience in Petroleum exploration, field development and production work in Pakistan and abroad

SEPL is operating in Pakistan since 1996. To date SEPL has invested approximately USD 50 million in Pakistan. SEPL currently hold working interest in following:

Exploration licenses/leases	Working interest	Operator
<u>Producing</u>		
Zarghun South lease	40.00%	Mari Petroleum Company Limited
Reti lease	10.66%	Oil and Gas Development Company Limited
Maru lease	10.66%	Oil and Gas Development Company Limited
Maru South lease	10.66%	Oil and Gas Development Company Limited
Maru East discovery	10.66%	Oil and Gas Development Company Limited
Khamiso discovery	10.66%	Oil and Gas Development Company Limited
Umair discovery	10.66%	Oil and Gas Development Company Limited
Sara lease	60.00%	Spud Energy Pty Limited
Suri lease	60.00%	Spud Energy Pty Limited
<u>Exploration</u>		
Guddu exploration license	13.50%	Oil and Gas Development Company Limited
Zamzama North exploration license	24.00%	Heritage Oil and Gas Limited
Nareli exploration license	29.00%	Mari Petroleum Company Limited

7. Name and qualifications of managerial personnel intended to be used in the operations

Name	Qualification
Muhammad Nadeem Farooq	ACA
Muhammad Arif Siddiq	ACA
Dr. Shakeel Ahmed	BSc, MSc and PhD - Petroleum Engineering
Asif Mahmood Malik	BSc Electrical Specialized in Communication
Qaisar Waseem	MSc Geophysics, Post Graduate Certificate - Petroleum Engineering

8. State amount of capital for operations under the petroleum right applied for:

a. At present available

Spud Energy Pty Limited has working interest in 9 producing gas fields. The operating cashflows of the Company will be sufficient to fund the capital required for the operation under the Petroleum rights applied for.

b. Which applicant can make available and the source

Sufficient capital will be made available from the Company.

c. The applicant must provide documentary evidence alongwith application to substantiate the above information to the satisfaction of the Government

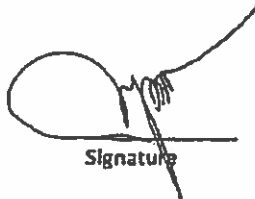
Please refer Financial Statements

9. The applicant shall submit in addition the data referred to in Exhibit-I to this schedule.

Exhibit-I is enclosed herewith.

We hereby declare that all the foregoing particulars are correct.

Furthermore, we hereby declare that we will abstain from all political activities whatsoever affecting the sovereignty or security of Pakistan or such as may be tantamount to interference in its internal affairs and that especially we will eschew all espionage.


Signature

Date April 11, 2022

Applicant(s): Spud Energy Pty Limited

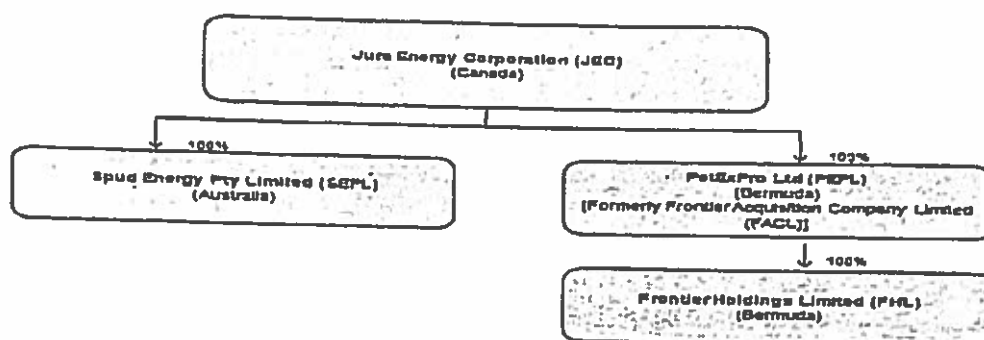
Designation: Chief Executive Officer

PARTICULARS TO BE FURNISHED BY APPLICANT

1. Information about the applicant:

Economic Data-worldwide- for the applicant, his ultimate parent company and the group of companies controlled by the parent company:

The group structure of the Company is as indicated below:



1. Total investment in Petroleum activities split on the following items:

(a) Exploration

2018	2019	2020
US\$ "Million"		
2.55	0.46	0.81

(b) Production

2018	2019	2020
US\$ "Million"		
4.48	5.74	6.93

(c) Transportations Systems

Not applicable

(d) Refining and Processing

Not applicable

(e) Marketing

Not applicable

2. The total turnover of the group as well as the turnover with regard to petroleum activities.

2018	2019	2020
US\$ "Million"		
12.34	11.89	22.73

3. Net income after taxes of the group.

2018	2019	2020
US\$ "Million"		
0.01	(0.22)	3.85

4. Total value of assets of the group.

2018	2019	2020
US\$ "Million"		
53.89	55.61	63.91

5. Profitability indicators, including the following:

- Earnings per share of the group
- Return on common equity of the group
- Return on total capital employed of the group

Ratios	2018	2019	2020
Earnings per share - US\$	0.00	(0.00)	0.06
Return on common equity - %	0.01%	-0.33%	5.91%
Return on Capital employed - %	2.25%	11.34%	17.77%

Operational Data-worldwide- for the applicant, his ultimate parent company and the group of companies controlled by the parent company:

1. Production of oil and gas of the group:

	Onshore			Offshore
	2018	2019	2020	
Gas (BCF)	2.76	2.47	4.81	Nil
Oil (BBLs)	792.4	744.4	7,574.1	Nil

2. Refining Capacity (1000 bbl/day)

Not applicable

3. Sale of Petroleum Products of the group:

	Onshore			Offshore
	2018	2019	2020	
Gas (BCF)	2.61	2.36	4.64	Nil
Oil (BBLs)	792.4	744.4	6,513.5	Nil

4. Number of Exploration wells and Appraisal Wells of the group:

Years	Status	Exploration Wells		Appraisal & Development Wells	
		Onshore	Offshore	Onshore	Offshore
2018	Operator	-	-	-	-
	Non-Operator	1	-	-	-
2019	Operator	-	-	-	-
	Non-Operator	-	-	-	-
2020	Operator	-	-	-	-
	Non-Operator	1	-	-	-
Total Wells	Operator	-	-	1	-
	Non-Operator	2	-	-	-

5. Number of Employees in Petroleum Activities

7

2. Information Concerning the areas (blocks)

- a) Indication of areas (blocks) applied for.

Not applicable

- b) If the applicant applies for more than one area (block) the priority assigned to the different areas (blocks) must be given.

Not applicable

- c) The applicant must state the percentage participating interest applied for in the different areas (blocks).

Not applicable

- d) The applicant must state if he applies for operatorship on any or all of the areas (blocks) applied for.

Not applicable

- e) Information given in sub-items 2 a-d and item 3 shall be summarized in a separate form.

Not applicable

- f) The applicant must comprise information about the geological and geophysical material and parameters upon which the application is based, accompanied by structural maps.

Not applicable

3. Proposed Work Programme, Economic Terms, etc:

- a) The work programme for each of the area (blocks) applied for, including the size of seismic grid, number of exploration wells with indication of depths and/or geological horizons to be penetrated in each exploration well, and the minimum financial amount to be allocated to and spent on exploration activities.

Not applicable

- b) Any additional royalty or other economic compensation offered; and

Not applicable

- c) The participating interest offered to the Government or the Oil and Gas Development Corporation.

Not applicable



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

ACKNOWLEDGEMENT OF FILING

Registration No. 0071478

Dated. 29/01/2010

In the matter of (SPUD ENERGY PTY LIMITED), 7TH FLOOR, THE FORUM,
BLOCK 9, CLIFTON, KARACHI)

The receipt of the under mentioned document(s) filed, registered and recorded pursuant to the provisions of the Companies Ordinance, 1984 (XLVII of 1984), is hereby acknowledged:-

1. Form 38 - Documents (Charter/Statute/Memorandum and Articles, etc) delivered for registration by a foreign company dated 29/01/2010
2. Form 39 - Return showing address of the registered or principal office of a foreign company dated 29/01/2010
3. Form 40 - Return showing particulars of Directors, Chief executive and Secretaries (if any) of a foreign company dated 29/01/2010
4. Form 41 - Return showing particulars of principal officer of a foreign company dated 29/01/2010
5. Form 42 - Return showing particulars of person resident in Pakistan authorized to accept services on behalf of a foreign company dated 29/01/2010
6. Form 43 - Return showing address of the principal place of business in Pakistan of a foreign company dated 29/01/2010


(Muhammad Naeem Khan)
Joint Registrar of Companies

Fee Rs. 56000/-



PATRICIA HOLDINGS PTY LIMITED
ATTN: ROSS DALGLEISH
P O BOX 831
NEUTRAL BAY JUNCTION NSW 2089

Form 204

Remove this cap as soon as it is clear before filing

Certificate of Registration of a Company

Corporations Law Sub-section 121(1)

This is to certify that

NOVUS PAKISTAN PTY LTD

Australian Company Number 073 847 613

is a registered company under Division 1 of Part 2.2 of the
Corporations Law of New South Wales and because
of its registration it is an incorporated company.

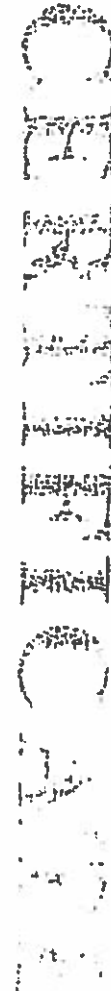
The company is limited by shares.

The company is a proprietary company.

The day of commencement of registration is
the second day of May 1996.



AUSTRALIAN
SECURITIES
COMMISSION



Given under the seal of the
Australian Securities Commission
on this second day of May, 1996.



Alan Cameron

Alan Cameron
Chairman

NOVUS PAKISTAN PTY LTD
13 Lester Road
GREYSTANES NSW 2145

Register of Companies, Section 127(1) of the Corporations Act 2001

Certificate of Registration on Change of Name

This is to certify that

NOVUS PAKISTAN PTY LTD

Australian Company Number 073 847 613

did on the fourteenth day of April 2005 change its name to

SPUD ENERGY PTY LIMITED

Australian Company Number 073 847 613

The company is a proprietary company.

The company is limited by shares.

The company is registered under the Corporations Act 2001 and
is taken to be registered in New South Wales and the date
of commencement of registration is the second day of May, 1996.

Issued by the
Australian Securities and Investments Commission
on this fourteenth day of April, 2005.



Jeffrey Lucy
Chairman



CERTIFICATE

Assignment of working interest in Margala Exploration License/Block.

Name/Block No.	Margala / 3372-20
Operator/Joint Venture Partner	MOL Pakistan (70%), Pakistan Oilfields Limited (30%)
Area	1847.18 Km ²
Districts	Islamabad, Rawalpindi, Haripur, Abbotabad, Attock
Province	Punjab/KP
Grant Date	08-11-2006
Validity Date	31-12-2022
Rule	Pakistan Petroleum (Exploration & Production) Rules 2001
Policy	Pakistan Petroleum (E&P) Policy, 2001 (converted into Policy, 2012)
Current Phase/Term	Phase-I
Assignment of working interest	Assignment of 30% working interests in Margala Block from M/s MOL Pakistan to M/s Mari Petroleum Company Limited (MPCL).
Relevant extension rule	<p>Rule-8 of the Rules 2001: <u>"A petroleum right or any working interest therein shall not be assigned without the previous consent in writing of the Government"</u></p> <p>Rule-9 of the Rules 2001: <u>"An application by the holder of a petroleum right for consent to the assignment of a petroleum right shall be made in writing addressed to DGPC, and shall be accompanied by a fee of ten thousand rupees. With the application, the applicant shall furnish the like particulars in respect of the proposed assignee as are required to be furnished in the case of applicants for a petroleum right"</u></p>
Recommendation of Petroleum Division	
<p>Considering the request of the company being in line with the rules and requirement, the Petroleum Division in light of rule 8 and 9 of Pakistan Petroleum (E & P) rules 2001, recommends the assignment of M/s MOL's 30% working interest in the Margala Block to M/s MPCL, subject to the conditions that:</p> <ol style="list-style-type: none"> M/s MPCL will submit an irrevocable Bank Guarantee corresponding to their acquired working interests in Margala Block, before the execution of the Deed of Assignment, against the work commitment. In case of any miscommunication / misinterpretation, withholding of information and concealment of facts or any default thereof shall render the consent and approval null and void and assignor and/ or assignee shall be responsible for the same and will be liable to pay any penalty as decided by the Authority. The Governments revenue will not be adversely affected after this Assignment. 	

Assignment of working interest in Margala Exploration License/Block.

Name/Block No.	Margala / 3372-20
Operator/Joint Venture Partner	MOL Pakistan (70%), Pakistan Oilfields Limited (30%)
Area	1847.18 Km ²
Districts	Islamabad, Rawalpindi, Haripur, Abbotabad, Attock
Province	Punjab/KP
Grant Date	08-11-2006
Validity Date	31-12-2022
Rule	Pakistan Petroleum (Exploration & Production) Rules 2001
Policy	Pakistan Petroleum (E&P) Policy, 2001 (converted into Policy, 2012)
Current Phase/Term	Phase-I
Assignment of working interest	Assignment of 30% working interests in Margalla Block from M/s MOL Pakistan to M/s Mari Petroleum Company Limited (MPCL).
Relevant extension rule	<p>Rule-8 of the Rules 2001: <u>"A petroleum right or any working interest therein shall not be assigned without the previous consent in writing of the Government"</u></p> <p>Rule-9 of the Rules 2001: <u>"An application by the holder of a petroleum right for consent to the assignment of a petroleum right shall be made in writing addressed to DGPC, and shall be accompanied by a fee of ten thousand rupees. With the application, the applicant shall furnish the like particulars in respect of the proposed assignee as are required to be furnished in the case of applicants for a petroleum right"</u>.</p>
<p align="center">Recommendation of Petroleum Division</p> <p>Considering the request of the company being in line with the rules and requirement, the Petroleum Division in light of rule 8 and 9 of Pakistan Petroleum (E & P) rules 2001, recommends the assignment of M/s MOL's 30% working interest in the Margala Block to M/s MPCL, subject to the conditions that:</p> <ol style="list-style-type: none"> M/s MPCL will submit an irrevocable Bank Guarantee corresponding to their acquired working interests in Margala Block, before the execution of the Deed of Assignment, against the work commitment. In case of any miscommunication / misinterpretation, withholding of information and concealment of facts or any default thereof shall render the consent and approval null and void and assignor and/ or assignee shall be responsible for the same and will be liable to pay any penalty as decided by the Authority. The Governments revenue will not be adversely affected after this Assignment. 	

Date: June 3rd, 2022
Ref: MOL/20703/2022

Director General Petroleum Concessions
Ministry of Petroleum & Natural Resources
3rd Floor Petroleum House
Ataturk Avenue G-5/2,
Islamabad

Subject: Margala Block- Assignment of 30% Working Interest to MPCL

Dear Sir,

This refers to Margala Exploration License No. 382/Pak/2006 (Block 3372-2) and Petroleum Concession Agreement dated 8th November 2006.

In terms of Article 7.2 of the PCA the Operator proposes to assign 30% working interest in Margala Block from its current working interest of 70%, to Mari Petroleum Company Limited (MPCL), a company existing under the laws of Pakistan, with its registered office at 21 Mauve Area, 3rd Road, G-10/4, Islamabad.

In accordance with the Rules, we seek your consent on the subject assignment and approval of draft Deed of Assignment for its final execution. Accordingly, following documents are enclosed to proceed further in the matter;

- Appendix A - Draft Deed of Assignment
- Appendix B - MPCL's Consent – Second Schedule along with required supporting documents
- Appendix C - Status of Obligations
- Appendix D - Bank Draft valuing Rs. 10,000/- on account of application fee

We will be grateful to receive your approval at the earliest.

Sincerely,



Ali Murtaza Abbas
MOL Group Regional Vice President
Middle East, Africa, and Pakistan

CC:

1. Mr. Faheem Haider, MD/ CEO MPCL, Islamabad
2. Mr. Sajid Nawaz, MD POL, Morgah, Rawalpindi

[stamp paper]

DEED OF ASSIGNMENT
(MARGALA BLOCK 3372-20)

This deed of assignment ("Deed of Assignment") is made at Islamabad on this ____ day of ____ 2022, by and between:

1. The President of the Islamic Republic of Pakistan (hereinafter referred to as the "President", which expression shall include its successors in office and assigns);
2. MOL Pakistan Oil and Gas Company B.V., a company incorporated in the Netherlands, having a branch office at Stock Exchange Towers, Floor No.17, 55-B Jinnah Avenue, Islamabad, Pakistan (hereinafter referred to as "MOL", which expression shall be deemed to mean and include its successors and assigns);
3. Pakistan Oilfields Ltd company incorporated in Pakistan, having its registered office at POL House, Morgah, Rawalpindi (hereinafter referred to as "POL", which expression shall include its successors and assigns); and
4. Mari Petroleum Company Ltd, a company incorporated in Pakistan, having its registered office at 21 Mauve Area, 3rd Road, G-10/4, P.O. Box 1614, Islamabad (hereinafter referred to as "MPCL", which expression shall include its successors and assigns);

The President, MOL, POL and MPCL are hereinafter individually referred to as a "Party" and jointly as the "Parties".

RECITALS

WHEREAS, on 8th November 2006, the President granted Exploration Licence No. 384/PAK/2006 (the "Licence") to MOL for the area identified as Block 3372-20 Margala (the "Concession Area") in accordance with the provisions of Pakistan Petroleum (Exploration & Production) Rules, 2001 (the "Rules");

WHEREAS, simultaneously with the grant of the Licence, the President and the MOL executed the Petroleum Concession Agreement dated 8th November 2006 as supplemented and amended thereafter from time to time (the "PCA") with the Joint Operating Agreement (the "JOA") annexed thereto to be signed between the Working Interest Owners. MOL was appointed as Operator under the PCA.

WHEREAS, through agreement for assignment of Working Interest signed on 1st June 2007, effective 8th November 2006, MOL assigned 30% of its undivided Working Interest to POL. The License, PCA, and JOA and all related or subsequent approvals in relation thereto, said assignment agreement and amendments thereof are collectively referred to as the "Concession Documents".

WHEREAS, as of the date of this Deed of Assignment, MOL holds seventy per cent (70%) of the rights and obligations in the Concession Area pursuant to the Concession Documents;

and has agreed to assign 30% of its Working Interest ("Transferred Interest") to MPCL (the "Assignment") and MPCL has agreed to take and accept such Assignment and a similar undivided interest in the Joint Operations and Joint Property arising under the Concession Documents.

AND WHEREAS, the Government has granted its consent to MOL for the proposed Assignment of the Transferred Interest to MPCL as required by Article VII of the PCA and by Rule 8 of the Rules.

NOW THEREFORE, in consideration of the mutual covenants set out in this Deed of Assignment, the Parties agree that:

Article 1

- 1.1. This Deed of Assignment is and shall be construed as a deed supplementing and amending, in part, the Concession Documents ~~in accordance with the relevant provisions of Article VII of the PCA and Article 12 of the JOA.~~ Except as expressly amended by this Deed of Assignment, the Concession Documents remain in full force and effect according to their respective provisions.
- 1.2. Words and expressions defined in the Concession Documents and not otherwise defined in this Deed of Assignment, shall have the same meaning as in the Concession Documents. References to Articles shall mean Articles of this Deed of Assignment, unless otherwise identified. The singular includes the plural and vice versa.
- 1.3. In this Deed of Assignment unless the context otherwise requires the "Assignment Date" means [to be inserted as the Execution Date of Farm-out Agreement].

Article 2

- 2.1. The Parties ratify and confirm the Concession Documents as amended by this Deed of Assignment in accordance with the attached Schedule duly initialed by all the Parties for identification purposes.

Article 3

As of the Assignment Date:

- 3.1. In consideration of mutual covenants, MOL hereby assigns to and vests in MPCL and MPCL hereby takes and accepts the Transferred Interest and a proportionate 30% undivided interest in the Joint Operations and Joint Property arising under the Concession Documents subject to the condition that MPCL shall only be responsible for its proportionate share of rights, obligations and liabilities accruing on or after the Assignment Date and MOL shall remain responsible for all liabilities and obligations accruing or otherwise related to the period prior to the Assignment Date.
- 3.2. As a result of the foregoing the Parties shall, from the Assignment Date, own and be entitled to the percentage Working Interest under the Concession Documents and proportionate undivided interests in the Joint Property and Joint Operations specified below, namely:

MOL (Operator):	40%
POL:	30%
MPCL:	<u>30%</u>
	100%

Article 4

As of the Assignment Date:

- 4.1 MPCL shall be entitled to all rights and privileges and shall be subject to all obligations and liabilities in respect of the Transferred Interest under the Concession Documents arising from the Assignment Date and MOL shall be released from all further obligations and liabilities in respect to the Transferred Interest after the Assignment Date.
- 4.2 Each of the Parties consents to and approves the assignments provided in Article 3, above.
- 4.3 In the event, the Government requires submission of any guarantee under Concession Documents for work commitments, then the Parties shall be liable to submit the same as per their proportionate Working Interest.

Article 5

- 5.1 The Parties agree to promptly execute and deliver any documents or instruments required to effectuate or to give further assurance for confirming the Assignment, acceptance and assumption herein described, and the amendments hereby required.

Article 6

- 6.1 This Deed of Assignment is supplemental to the Concession Documents, which shall stand amended as provided in the Schedule hereto and as so amended shall remain in full force and effect.
- 6.2 This Deed of Assignment shall be governed and shall be given effect to under the Laws of Pakistan.
- 6.3 This Deed of Assignment shall not confer any rights or remedies upon any person other than the Parties and their respective successors and permitted assigns.
- 6.4 No amendment, modification, addition or otherwise change to the Deed of Assignment shall be effective or binding on any Party unless consented to in writing by all the Parties.
- 6.5 Any dispute or difference between the Parties with respect to any matter pertaining to the Deed of Assignment shall be settled in accordance with the provisions set out in the Concession Documents.

IN WITNESS WHEREOF the parties hereto have signed this Deed of Assignment as of the date hereinabove first written.

For and on behalf of the
PRESIDENT OF THE ISLAMIC REPUBLIC OF PAKISTAN

By: _____

WITNESS:

1. _____

2. _____

For and on behalf of the
MOL PAKISTAN OIL AND GAS COMPANY B.V.

By: _____

WITNESS:

1. _____

2. _____

For and on behalf of the
PAKISTAN OILFIELDS LIMITED

By: _____

WITNESS:

1. _____

2. _____

For and on behalf of
MARI PETROLEUM COMPANY LIMITED

By: _____

WITNESS:

1. _____

2. _____

SCHEDULE OF THE DEED OF ASSIGNMENT
(This Schedule shall form part of Deed of Assignment)

PART A

The License shall be amended as follows:

1. On the title page, after the words "PAKISTAN OILFIELDS LIMITED" insert the words "AND MARI PETROLEUM COMPANY LIMITED".
2. In the description of Licensees, after the words "which expression shall include its successors and assigns), add the following:

"and Mari Petroleum Company Ltd, a company incorporated in Pakistan, having its registered office at 21 Mauve Area, 3rd Road, G-10/4, P.O. Box 1614, Islamabad (hereinafter referred to as "MPCL").
3. In Article-1 of the terms and conditions of the License, the Working Interest of the party(ies) should read as follows:

Company(ies)

Working Interest

MOL Pakistan Oil and Gas Company B.V.	40% (Operator)
Pakistan Oilfields Limited	30%
Mari Petroleum Company Limited	30%

4. In Article-4, at the end of table, replace the words "and POL" with ", POL and MPCL" in table note.
5. Every reference to MOL and POL in the License in their capacity as Licensees is hereby amended to include a reference to MPCL.

PART B

The Petroleum Concession Agreement (PCA) shall be amended as follows:

1. On the title page, after the words "PAKISTAN OILFIELDS LIMITED" insert the words "AND MARI PETROLEUM COMPANY LIMITED".
2. In the preamble, after the words "third part", insert the following:

"and Mari Petroleum Company Ltd, a company incorporated in Pakistan, having its registered office at 21 Mauve Area, 3rd Road, G-10/4, P.O. Box 1614, Islamabad (hereinafter "MPCL", which expression shall include its successors and assigns) of the fourth part."
3. In recitals 2, 3 and 4, replace "and POL" with ", POL and MPCL".
4. On the first page, after the words "NOW THEREFORE, THE PRESIDENT", replace

the words "and MOL and POL" with ", MOL, POL and MPCL".

5. In Articles 2.1 and 3.3, replace "and POL" with ", POL and MPCL".

6. In Article 3.1, replace "and POL and GHPL (if applicable)" with ", POL and MPCL and GHPL (if applicable)".

7. In Article 5.1, amend the Working Interest with the following:

MOL (Operator)	40%
POL	30%
MPCL	30%

8. In Article 30.3, after paragraph (c), add the following as paragraph (d):

"In the case of MPCL to:

Mari Petroleum Company Limited
21 Mauve Area, 3rd Road, G-10/4, P.O. Box 1614, Islamabad
Attention: Managing Director
Tel: 051- 2352855
Fax: 051- 2352848"

9. In Annex 1, insert after "MOL", the following: ", POL and MPCL".

10. Excluding the preamble to the PCA, Article 2.2 (a) and 30.3, each and every reference to "MOL and POL" in the Concession Agreement (including the recitals thereto) shall be immediately followed by words in each and every instance "and MPCL".

11. Every reference to MOL and POL in the PCA in their capacity as Working Interest Owners is hereby amended to include a reference to MPCL.

PART C

The Joint Operating Agreement shall be amended as follows:

1. At the end of the preamble, following the description of Pakistan Oilfields Ltd, the description of MPCL is inserted as follows:

"Mari Petroleum Company Ltd, a company incorporated in Pakistan, having its registered office at 21 Mauve Area, 3rd Road, G-10/4, P.O. Box 1614, Islamabad (hereinafter referred to as "MPCL", which expression shall include its successors and assigns)."

2. In Article 3.1, first line, replace "and POL and GHPL (if applicable)" with ", POL and MPCL and GHPL (if applicable)".

3. Except Article 5.1 of the JOA, wherever the word "MOL and POL" is used, the word "MPCL" shall be included as the context so requires.

4. In Appendix A, Accounting Procedure, on page 97, after "AND PAKISTAN OILFILEDS LIMITED" insert "AND MARI PETROLEUM COMPANY LIMITED".

Expl-7(3)(MGCL Hanna)/2015-Vol-III
Government of Pakistan
Ministry of Energy (Petroleum Division)

SUMMARY FOR THE CABINET

Subject: ASSIGNMENT OF WORKING INTEREST IN EXPLORATION
LICENSES/BLOCKS

The Directorate General Petroleum Concessions has received two separate requests for assignment of working interests. (i) Assignment of 35% working interests in the Hanna Block from Mari Petroleum Company Limited (MPCL) to Spud Energy Private Limited (SEPL), and (ii) Assignment of 30% working interests in Margalla Block from M/s MOL Pakistan to M/s Mari Petroleum Company Limited (MPCL). The companies have also submitted the draft deeds of assignment for the same. Both Hanna and Margala Blocks are governed by Pakistan Petroleum Exploration and Production Rules 2001. The requests for assignments and the draft Deed of Assignments (DoAs) are well in line with the provisions of applicable rules.

2. Rule 8 of Pakistan Petroleum (E & P) Rules 2001 requires the prior approval of Government for any such assignment. Rule 8 of the Rules 2001 is reproduced as under:

"A petroleum right or any working interest therein shall not be assigned without the previous consent in writing of the Government"

3. Both assignment requests have been reviewed thoroughly taking into consideration the technical and financial capabilities and incorporation details of the acquiring company as well as the clearance of Government dues and other obligations by the assigning company. Detailed evaluation of each assignment request and recommendation of the regulator (DGPC) are attached as (Annexures-I and II).

4. The cases for assignment of 35% working interest of M/s MPCL to M/s SEPL in Hannah Block and 30% working interests of M/s MOL to M/s MPCL in Margala Block, require approval of the Federal Cabinet. Therefore, approval of the Cabinet is solicited for the abovesaid assignments, based on the recommendations as detailed in (Annexures-I and II).

5. The Prime Minister as the Minister In-Charge of Petroleum Division has seen and authorized submission of the Summary to the Cabinet.

Islamabad, the _____, 2022


(Ali Raza Bhutta)
Secretary

PRIME MINISTER'S OFFICE
ISLAMABAD

Subject: ASSIGNMENT OF WORKING INTEREST IN EXPLORATION
LICENCES/BLOCKS

The Prime Minister, being Minister In-charge of Petroleum Division, has seen and is pleased to direct that Petroleum Division shall address the following observations before the Summary is submitted to the Economic Coordination Committee of the Cabinet for its consideration:-

- (i) The un-signed annexures containing the recommendation of the regulator is silent regarding the financial capability of acquiring company and clearance of government dues and other obligations by the assigning companies. Similarly, the technical strength of companies which will be assigned the working interest has also not been indicated.
- (ii) Amount outstanding and/or subjudice before courts against the existing holders of licence and the assignees, if any, has not been mentioned.
- (iii) Deeds/contact documents are not vetted by Law Division.
- (iv) Annexures attached with the Summary are un-signed.
- (v) It shall be ensured that irrevocable Bank Guarantees in respect of outstanding amounts (if any) as well as obligations corresponding to the acquired working interest are taken from the companies which have requested for transfer of working interest.


(Shakeel Ahmed Mangnejo)
Additional Secretary-II

13-09-2022

14.09.22

Secretary, Petroleum Division

ND: 2398/SPM/22

Cc: Secretary, Cabinet Division



**TRANSPARENCY
INTERNATIONAL - PAKISTAN**

Plot 72-F/2, 1st Floor, 9th Street, Jami Commercial,
Phase VII, Defence Housing Authority, Karachi
Phone: +92-21-35390408, 35311898
Fax: +92-21-35390410
Email: ti.pakistan@gmail.com
Website: www.transparency.org.pk

January 16, 2023

TIP 2023/0116/1A

Principal Secretary (PSPM)
Prime Minister of Pakistan
Prime Minister House,
Islamabad

(For the Attention of the Prime Minister of Pakistan)

Subject: Complaint against M/s SPUD Energy and M/s Frontier Holding Companies willfully defaulting of their obligations to pay outstanding royalty 12.5% amounting approx. Rs 1.13 billion on the sale of natural gas/crude oil from Reti Maru Field. Badin IV South Block and Zargun South Field.

Honorable Prime Minister,

Transparency International Pakistan refers to the TI Pakistan letter TIP2022/1208/1A dated 16th December 2022 on the subject above. Annex-A

On Citizen Portal the complaint is closed as not granted.

The following reply is given by DG (PC) MOP, who has shifted the responsibility to Provincial Government, and stated that Federal Government has nothing to do in this case of recovery of Rs 1.13 Billion Royalty from defaulting firms M/s SPUD Energy and M/s Frontier Holding. Annex-B

Director General (PC)'s reply that,

the provincial share of royalty is directly transferred to the relevant province where the well-head is located. The provincial government has full authority to spend the amount of royalty on public as per its priority order and the federal government has nothing to say or advise in this regard. You are requested to approach the concerned provincial government to acquire any relevant information.

The reply by Director General (PC) (enclosed) is contradictory to Minister of Energy (Petroleum Division), Directorate General of Petroleum Concessions' directives, with was subject to "MOST IMMEDIATE THROUGH FAX" dated 17th February 2022, have found M/s Spud energy to be in continuing willful default of its obligation to pay the outstanding royalty of a total sum of Rs. 734, 450, 141/-.

Prime Minister's attention is drawn to the DG (PC) letter dated 17 Feb 2022, written to MD SSGCL and MD Pak Refinery to withhold the Royalty arrears of Rs 1.15 Billion and deposit it in Pakistan Treasury Account for Natural Gas No C03906. Annex-C

The Ministry of Energy (Petroleum Division) should have taken legal action against the defaulters as well as the SSGCL and Pak, Refinery and defaulting companies for not complying with its orders to deposit the royalty of Rs. 1.13 billion in arrears, and also added Bank `markup on this amount.



M/s SPUD Energy has been found to be in continuing willfully defaulting of its obligation to pay the outstanding royalty of the total sum of PKR 834,821,397, while M/s Frontier Holding has been found to be in continuing willfully defaulting of its obligation to pay the outstanding royalty of the total sum of PKR 303,195,732, a total of approx. 1.13 billion losses to National Exchequer.

Prime Minister as Minister of Petroleum is requested to order the DG (PC) Ministry of Petroleum/ SSGCL/ Pak Refinery to collect the evaded Royalty of Rs. 1.13 Billion from the two defaulter companies and to be deposit it in the exchequer account, and also requests to take administrative action against the officers for failure to perform their responsibilities.

Transparency International Pakistan is striving for across the board application of Rule of Law, which is the only way to stop corruption, and achieve against Zero tolerance against corruption.

Regards

Advocate Daniyal Muzaffar,
Trustee/Legal Advisor
Transparency International Pakistan

Copies forwarded for the information with request to take action under their mandate to:

1. State Minister for Petroleum Division
2. Chairman, NAB, Islamabad
3. Prime Minister's Inspection Commission (PMIC), Islamabad
4. Chairman, OGRA, Islamabad
5. Chairman, SECP, Islamabad
6. Registrar, Supreme Court of Pakistan, Islamabad

Note:

This is to clarify that Transparency International Pakistan is not the complainant. It acts as whistleblower and operate under Article 19-A, of the Constitution of Pakistan which gives the right to public to know how government is being run by public officers. Article 19-A makes the right to access of information pertaining to a public authority a fundamental right, Justice Syed Mansoor Ali Shah in his landmark judgment in case of Ataulah Malik v. Federation of Pakistan includes following order;

Right to information is another corrective tool which allows public access to the working and decision making of the public authorities. It opens the working of public administration to public scrutiny. This necessitates transparent and structured exercise of discretion by the public functionaries. Article 19-A empowers the civil society of this country to seek information from public institutions and hold them answerable. PLD 2010 Lahore 605.



TRANSPARENCY INTERNATIONAL - PAKISTAN

Annex-A

Plot 72-F/2, 1st Floor, 9th Street, Jami Commercial,
Phase VII, Defence Housing Authority, Karachi
Phone: +92-21-35390408, 35311898
Fax: +92-21-35390410
Email: ti.pakistan@gmail.com
Website: www.transparency.org.pk

December 16, 2022

TIP 2022/1216/1A

Principal Secretary (PSPM)
Prime Minister of Pakistan
Prime Minister House,
Islamabad

(For the Attention of the Prime Minister of Pakistan)

Subject: Complaint against M/s SPUD Energy and M/s Frontier Holding Companies willfully defaulting of their obligations to pay outstanding royalty 12.5% amounting approx. PKR 1.13 billion on the sale of natural gas/crude oil from Reti Maru Field, Badin IV South Block and Zargun South Field

Honorable Prime Minister,

TI Pakistan has received a complaint against M/s SPUD Energy and M/s Frontier Holding on willfully defaulting of their obligations to pay outstanding royalty 12.5% amounting PKR 1.13 billion on the sale of natural gas/crude oil from Reti Maru Field, Badin IV South Block and Zargun South Field. (Annex-A)

The complainant has made the following allegations:

That,

1. To undertake petroleum exploration activities, exploration licenses were granted to M/s SPUD Energy over Guddu and Bolan blocks, and to M/s Frontier Holding Companies over Badin IV South Block. These licenses were given under the provision of Pakistan Petroleum (Exploration and Production) Rules, 1986.
2. On account of commercial discovery in these blocks, the President granted a development and production leases to the holders of license to undertake development activities and produce petroleum. M/s Sui Southern Company (SSGCL) is the nominated buyer of the natural gas and crude oil/condensate from Bolan Block and Badin IV South Block, while M/s Engro Fertilizers is the nominated buyer of the natural gas from Guddu Block.
3. Under Rule 36 of the 1986 Rules read with the Article 9.1 of the Petroleum Concession Agreement (PCA), the license holders M/s SPUD Energy and M/s Frontier Holding are under an obligation to pay royalty to the Government at a rate 12.5% of the petroleum produced and saved. The royalty on gas is collected by the Federal Government and paid to the province where the wellhead of gas is situated under Article 161 of the Constitution.
4. M/s SPUD Energy has been found to be in continuing willfully defaulting of its obligation to pay the outstanding royalty of the total sum of PKR 834,821,397, while M/s Frontier Holding has been found to be in continuing willfully defaulting of its obligation to pay the outstanding royalty of the total sum of PKR 303,195,732, a total of approx. 1.13 billion loss to National Exchequer.
5. Ministry of Energy – Petroleum Division had been deceived into allowing the assignment and transfer by way of ECC Summary and Summary for the Prime Minister dated September 1st 2022 of PCL's 35% WI to M/s SPUD in Hannah Exploration License, the Prime minister Office vide letter dated September 13th 2022 has taken a serious notice of the said transfer and raised the following objections:

A NON-PARTISAN, NON-PROFIT COALITION AGAINST CORRUPTION

Donations exempted from tax U/S 2 (36) (c) of I. Tax Ordinance 2001



- i. *The un-signed annexures containing the recommendation of the regulator is silent regarding the financial capability of acquiring company and clearance of government dues and other obligations by the assigning companies. Similarly, the technical strength of companies which will be assigned the working interest has also not been indicated.*
 - ii. *Amount outstanding and/or subjudice before courts against the existing holders of licence and the assignees, if any, has not been mentioned.*
 - iii. *Deeds/contact documents are not vetted by Law Division.*
 - iv. *Annexures attached with the Summary are un-signed.*
 - v. *It shall be ensured that irrevocable Bank Guarantees in respect of outstanding amounts (if any) as well as obligations corresponding to the acquired working interest are taken from the companies, which have requested for transfer of working interest." (Annex B)*
6. The office of the Directorate General Petroleum Concessions has issued various Show Cause Notices and Default Notices to M/s SPUD Energy and M/s Frontier Holding including certain Gas Buyers and Oil Buyers including M/s SSGCL, Pakistan Refinery and others to start withholding payments against share of M/s SPUD from invoices for sale of Natural Gas and Crude Oil from fields in which M/s SPUD had working Interest.
7. It can be clearly seen from their Financial Statement instead of paying government obligations these defaulters have paid shareholders loan worth millions of dollars using gas sales receipt which is totally not just illegal but also morally incorrect (Financial statements attached). They have also charged consultancy services with the help of their subsidiaries.

Transparency International Pakistan's Comments

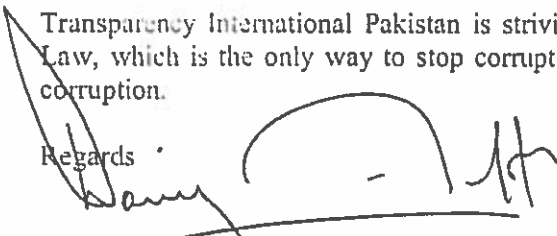
Based on the authenticity of the submitted documents, particularly the 03 letters dated February 17, 2022 from Ministry of Energy (Petroleum Division) to M/s Sui Southern Gas, M/s Pakistan Refinery and M/s Engro Fertilizers, prima facie it appears that the complaint is correct. M/s SPUD Energy and M/s Frontier Holding have defaulted their obligation paying a royalty of PKR 1.13 billion, combined with the loss of interest on defaulted amount to National Exchequer for many years.

Transparency International Pakistan's Recommendations

TI Pakistan requests the Prime Minister of Pakistan to kindly look into this matter, and if it is found to be correct, then direct the regulators to first recover the outstanding amount approx. PKR 1.13 billion from M/s SPUD Energy and M/s Frontier Holding prior to proceeding further on these contracts.

Transparency International Pakistan is striving for across the board application of Rule of Law, which is the only way to stop corruption, and achieve against Zero tolerance against corruption.

Regards


Advocate Daniyal Muzaffar,
Trustee/Legal Advisor
Transparency International Pakistan

Copies forwarded for the information with request to take action under their mandate to:



1. State Minister for Petroleum Division
2. Chairman, NAB, Islamabad
3. Prime Minister's Inspection Commission (PMIC), Islamabad
4. Chairman, OGRA, Islamabad
5. Chairman, SECP, Islamabad
6. Registrar, Supreme Court of Pakistan, Islamabad

Note:

This is to clarify that Transparency International Pakistan is not the complainant. It acts as whistleblower and operate under Article 19-A, of the Constitution of Pakistan which gives the right to public to know how government is being run by public officers. Article 19-A makes the right to access of information pertaining to a public authority a fundamental right, Justice Syed Mansoor Ali Shah in his landmark judgment in case of *Ataullah Malik v. Federation of Pakistan* includes following order;

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1/16/23, 12:42 PM

Gmail - Your Citizen Portal Complaint Is Resolved | آپ کے سٹیزن پورٹل کی شکایت حل ہوگئی ہے



Transparency International Pakistan <ti.pakistan@googlemail.com>

Your Citizen Portal Complaint is Resolved | آپ کے سٹیزن پورٹل کی شکایت حل ہوگئی ہے

1 message

Pakistan Citizen Portal <support.pmdu@pmo.gov.pk>
To: ti.pakistan@gmail.com

Wed, Jan 11, 2023 at 3:34 PM

Respected Citizen! / محترم شہری

Following Officer (Director General (PC)) closed your complaint code (IS231222-90440763) with following status (Relief cannot be Granted). Please see the remarks.

Officer Remarks:

Respected citizen, the provincial share of royalty is directly transferred to the relevant province where the well-head is located. The provincial government has full authority to spend the amount of royalty on public as per its priority order and the federal government has nothing to say or advise in this regard. You are requested to approach the concerned provincial government to acquire any relevant information.
Regards,

Email: support.pmdu@pmo.gov.pk
Pakistan Citizen Portal
PMDU|PMO|Islamabad, Pakistan

MOST IMMEDIATE
THROUGH FAX

No. Accounts 1(24)/2014-15 Vol-1 Part
Government of Pakistan
Ministry of Energy (Petroleum Division)
Directorate General of Petroleum Concessions

Islamabad, the February 17th, 2022.

(i) The Managing Director
Sui Southern Gas Company Limited
Sf 4/B, Block 14, Sir Shah Suleman
Road Gulshan-e-Iqbal
Karachi.

(ii) The Managing Director
Pakistan Refinery Limited
Korangi Creek Road
Karachi

Subject: WITHHOLDING PAYMENT AGAINST SHARE OF M/S SPUD ENERGY PLY LTD
FROM INVOICES FOR SALE OF THE NATURAL GAS AND CRUDE
OIL/CONDENSATE FROM ZARGHUN SOUTH FIELD (BOLAN BLOCK).

Dear Sirs,

Effective from November 30, 1994, the President granted an exploration licence over Bolan Block under and in accordance the provisions of the Pakistan Petroleum (Exploration and Production) Rules, 1986 ("1986 Rules") to undertake petroleum exploration activities within the licence area. Simultaneously with the grant of licence, the President and the holders of petroleum right executed the Bolan Petroleum Concession Agreement (PCA) to give effect to the incentives and packages of the Pakistan Petroleum (Exploration & Production) Policy, 1994.

2. On account of commercial discovery in the block, the President granted a development and production lease to the holders of licence to undertake development activities and produce petroleum from the Zarghun South field. The current working interest owners are (i) M/s. GHPL; (ii) M/s. Al-Haj (iii) M/s. Spud Energy and (iv) M/s. Mari Petroleum Limited.

3. Under Article-X of the PCA, the President nominated Sui Southern Company Limited (SSGCL) as the nominated buyers on behalf of the President of the natural gas produced from the Bolan Block.

4. Under Rule 36 of the 1986 Rules, the Working Interest Owners are under an obligation to pay royalty to the Government at a rate of 12.5% of the Petroleum produced and saved. Furthermore, the royalty on gas is collected by the Federal Government and paid to the province where the wellhead of gas is situated under Article 161 of the Constitution.

5. M/s. Spud energy has been found to be in continuing willful default of its obligation to pay the outstanding royalty of a total sum of Rs 734,450,141/-

6. It may be clarified that royalty is an Constitutional requirement in an oil and gas lease that gives the Government the right to receive 12.5% of the production from the leased acreage and it is the first charge of the Government on the oil and gas produced and saved, therefore, the Company has been selling the oil and gas and receiving the payment of 100% oil and gas without paying royalty to the Government in clear violation of the 1986 Rules and PCA.

7. The Competent Authority has decided to recover the outstanding royalty amount by directing the nominated buyers to withhold the entire payment to the defaulter i.e. M/s Spud energy of its share in the oil and gas produced from the lease. It will satisfaction of entire claim and also to deduct at source the royalty amount at the rate of 12.5% from the share of Spud in future invoices.

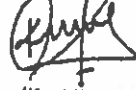
8. You are directed to deposit forthwith the amount withheld as above in the following treasury accounts:

For Natural Gas

C03906

9. This issues with the approval of the Competent Authority.

Yours Truly,



(Koshif Ali)

Director General (Petroleum Concession)

051-9204176

Copy to:

- (i) SPS to Secretary, Petroleum Division, Government of Pakistan, Islamabad
- (ii) DG(GAS)
- (iii) DG(Oil)
- (iv) ✓ MD MPCL

SUCCESS STORY

PKR 1.13 Billion Outstanding Royalty Recovered from Two Companies on TI Pakistan Intervention

Governments across the world need resources, material, equipment, and services to execute public projects. The execution of the projects, procurement and services permits require that the entire activity be carried out in transparent, economical, and efficient manner, to result in the best value for the country, government and its citizens.

On 16th December 2022, TI Pakistan came across a complaint of official collusion with the private companies causing loss of PKR 1.13 Billion to the national exchequer. It was pointed out that to undertake petroleum exploration activities, exploration licenses were granted to M/s SPUD Energy over Guddu and Bolan blocks, and to M/s Frontier Holding Companies over Badin IV South Block. These licenses were given under the provision of Pakistan Petroleum (Exploration and Production) Rules, 1986.

On account of commercial discovery in these blocks, the President of Pakistan granted a development and production leases to the holders of license to undertake development activities and produce petroleum. M/s Sui Southern Company (SSGCL) is the nominated buyer of the natural gas and crude oil/condensate from Bolan Block and Badin IV South Block, while M/s Engro Fertilizers is the nominated buyer of the natural gas from Guddu Block.

Under Rule 36 of Pakistan Petroleum (Exploration and Production) Rules, 1986, read with the Article 9.1 of the Petroleum Concession Agreement (PCA), the license holders M/s SPUD Energy and M/s Frontier Holding are under an obligation to pay royalty to the Government at a rate 12.5% of the petroleum produced and saved. Under Article 161 of the Constitution of Pakistan, the royalty on gas is collected by the Federal Government and paid to the province where the well-head of gas is situated.

It was alleged that M/s SPUD Energy was in consistent willful default of its obligation to pay the outstanding royalty of the total sum of PKR 834,821,397, while M/s Frontier Holding was alleged to be in willful default of its obligation to pay the outstanding royalty of the total sum of PKR 303,195,732, a total of approx. PKR 1.13 Billion loss to the national exchequer in Pakistan.

TI Pakistan took up the complaint and wrote to the Prime Minister of Pakistan on 16th December 2022, to look into the matter and direct the regulators to recover the outstanding amount along with the interest prior to proceeding further on the contracts with the two companies.

It was astounding to observe that in pursuant to TI Pakistan letter, the Director General Petroleum Concessions on 11th January 2023

responded to TI Pakistan and stated *"that the provincial share of royalty is directly transferred to the relevant province where well-head is located... and the federal government has nothing to say or advise in this regard".* The

DG (PC) response was axiomatically contrary to the Constitution of Pakistan 1973, Rules of Business 1973 and Pakistan Petroleum (E&P) Rules 2001.

The Constitution of Pakistan 1973 under FOURTH SCHEDULE, places mineral oil and natural gas under the legislative of Federation. Moreover, Article 161 of the Constitution of Pakistan 1973 bestows Constitutional obligation upon the Federation to collect Royalties for onward remission of funds to the Province where the wellhead is located. The Rules of Business 1973 expressly make the Ministry of Energy as the concerned ministry of the Federal Government tasked with Oil and Gas.

On 16th January 2023, TI Pakistan wrote another letter to the Prime Minister of Pakistan that the response of DG (PC) was even contradictory to the Ministry of Energy (Petroleum Division), Directorate General of Petroleum Concessions directives issued on 17th February 2022 which have found M/s SPUD Energy to be in continuing willful default of its obligations to pay the outstanding royalty of a total sum of PKR 734, 450, 141/- and that no concrete progress has been made or initiated by the DG (PC) to recover the outstanding amount.

In response to TI Pakistan letter, on 20th January 2023, the Prime Minister of Pakistan vide its Office letter No.4(5)/Mis/DS/(EA-I)/2022/83

instructed the Secretary Petroleum Division to ensure recovery of the outstanding amount within two weeks and submit compliance report.

In compliance to the PM orders, the Ministry of Energy (Petroleum Division) vide its letter No. Accounts 1(24)/ 2014-15 Vol-1 Part, dated 27th January 2023 wrote to the MD SSGC to withhold payment to the defaulter M/s SPUD Energy and deposit outstanding royalty in the Government treasury and ensure the same within two weeks.

On 14th February 2023, Director General (PC) informed TI Pakistan that Royalty amounting to Rs. 1.025 Billion has been deducted from the sale invoices of the defaulting companies i.e., M/s. Spud Energy and M/s. Frontier Holding Company Limited through SSGCL, and the same has been deposited in the Federal Treasury.

Transparency International Pakistan's tireless efforts have resulted in saving PKR 1.13 Billion to the national exchequer.