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KRG AND PEARL CONSORTIUM REACH FULL AND FINAL SETTLEMENT

Settlement Agreement between Kurdistan Regional Government of Iraq (the “KRG”) and (i) Dana Gas PJSC; (ii) Crescent Petroleum Company International Limited; and (iii) Pearl Petroleum Company Limited (“Pearl”); together (the “Consortium”)

The KRG and the Consortium, together (the “Parties”), signed a Heads of Agreement on Khor Mor and Chemchemical fields on 4 April 2007 (the “HoA”). Subsequently a dispute arose between them concerning certain matters under the HoA, and they referred this dispute on 21 October 2013 to an arbitration under LCIA case reference number 132527 (the “Arbitration”) for decision by an arbitral tribunal (the “Tribunal”) in London.

The Parties have mutually agreed to fully and finally settle all their differences amicably by terminating the Arbitration and related court proceedings, and releasing all remaining claims between them, including the substantial damages asserted by the Consortium against the KRG; implementing a mechanism for settlement of \$2,239 million awarded by the Tribunal to date ; and proceeding with immediate further development of the HoA’s world class resources for mutual benefit as well as the benefit of the people of the Kurdistan Region and all of Iraq.

The agreed settlement highlights are as follows:

- The KRG will immediately pay Pearl a sum of US\$600 million.
- The KRG will also immediately pay Pearl a further US\$400 million to be dedicated for investment exclusively for the aforesaid further development to substantially increase production.
- Pearl will increase gas production at Khor Mor by 500 MMscf/day, a 160% increase on the current level of production (the “Additional Gas”). The Additional Gas, together with significant additional amounts of condensate, is expected to begin production in approximately two years.
- The balance of sums awarded by the Tribunal (\$1,239 million) is no longer a debt owed by the KRG and will be reclassified as outstanding cost recoverable by Pearl from future revenues generated from the HoA areas.
- The profit share allocated to Pearl from future revenues generated from the HoA areas are adjusted upwards to a level similar to the overall profit levels normally offered to IOCs under the KRG’s Production Sharing Contracts. This adjustment reflects the larger investment risks

and costs involved in the development of natural gas resources compared to oil developments. After the recovery of costs and a return on investment by the Consortium, 78% of revenues generated from the HoA areas will be for the account of the KRG, and 22% for the account of Pearl.

- The Parties have clarified the Khor Mor block boundary coordinates and the KRG has awarded the Consortium investment opportunities in the adjacent blocks 19 and 20, and added these to the HoA areas, with commitments by the Consortium to make appraisal investments on these blocks, and developments if commercial oil and gas resources are found.
- The KRG will purchase 50% of the Additional Gas on agreed terms to boost the gas supply to power generation plants in the Kurdistan Region. The other 50% of the Additional Gas (250 mmscf/d) will be marketed and sold by Pearl to customers within Iraq or by export, or can be sold to the KRG as well to further boost power generation within Iraq.
- Pearl will also expand its local training and employment programs towards achieving maximum localization and content, as well as supporting local communities through its active Corporate Social Responsibility (CSR) programmes.
- The Parties have exchanged mutual releases, waivers, and discharges in relation to all claims in relation to the Arbitration and related court proceedings.
- The Parties have also amended and clarified the HoA language and terms, including extension of the term of the contract until 2049.

The Parties are very pleased with their settlement and and look forward to working together to maximise the full potential of the HoA areas, for their mutual benefit as well as that of the people of the Kurdistan Region and all of Iraq. Under the settlement, the people of the Kurdistan Region and Iraq will enjoy additional revenues and improved electricity supply. The Parties believe that this settlement agreement confirms to international investors that the Kurdistan Region of Iraq offers an attractive and secure environment for investment.

H.E. Dr. Ashti Hawrami, Minister of Natural Resources of the KRG, said:

«The companies' investment and production to date has already delivered substantial benefits for the Kurdistan Region through enabling cost-effective power generation. We are delighted by the outcome of this settlement which opens a new chapter in the relationship between the parties and will take the development of the important natural gas sector to new heights.»

Mr. Majid Jafar, CEO of Crescent Petroleum and Managing Director of the Board of Dana Gas PJSC, added:

«We have always expressed our commitment to amicable resolution of matters to enable proper development of the Khor Mor and Chemchemal fields. We are pleased with this definitive agreement which follows constructive dialogue with the KRG and promises to generate significant value for all concerned. The settlement of all debts and restoration of full cooperation gives a positive outlook for further investment and full realization of the enormous resource potential of the HoA areas.»