



*Iraqi Extractive
Industries
Transparency
Initiative (IEITI)*

Report 2011

30 December 2013



Iraqi Extractive Industries Transparency Initiative (IEITI)

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Iraqi Extractive Industries Transparency Initiative (IEITI)

Executive Summary

Iraqi Extractive Industries Transparency Initiative (IEITI)

Executive Summary

On 10 February 2010, Extractive Industries Transparency Initiative (EITI) Board accepted Iraq as an EITI Candidate country. The first EITI report was published in December 2011. On 12 December 2012, Iraq was announced as an EITI compliant country.

As part of the continuous implementation of the Extractive Industries Transparency Initiative (EITI) in Iraq, reconciliation would need to include the following:

- revenues and payments reported by Iraqi governmental entities, international crude oil buying companies and international oil field developing extractive companies
- oil production and oil export quantities reported by Iraqi governmental entities, national and international oil companies, in addition to third party verification companies
- oil and gas quantities for local consumption reported by Iraqi governmental entities, national gas companies, national oil companies, electricity generation directorates and refineries
- revenue from mining production reported by Iraqi governmental entities and national mining companies
- mining production quantities reported by Iraqi governmental entities and national mining companies

This report summarizes the results of these reconciliation processes, in addition to, information pertaining to the Oil and Gas Sector and the Extractive Industries in Iraq. It does not include reconciliation of data related to the extractive industries (including oil & gas) in Kurdistan Region. This data was requested from the Kurdistan Regional Government but it was not provided to us.

The report covers Iraq's crude oil export sales as reported by Iraqi Oil Marketing Company (SOMO), which formed most of Iraq's federal budget and foreign exchange earnings for 2011. It covers as well all payments made and revenues received with regard to crude oil exports during the financial year 2011, which amounted to US\$ 79.4 billion, and had resulted from crude oil sales to 39 international crude oil buyers.

Oil and gas production and the related cost recovery, signature bonuses, remuneration fees and corporate taxes were also covered in this report for the year 2011. Total crude oil production during 2011 amounted to 933.7 million barrels produced from all operating oil fields in Iraq except for the Kurdistan Region as we were not provided with the required information by KRG.

The report does not include reconciliation of revenue and production of the Iraqi mining sector as no data was provided by the Ministry of Industry & Minerals. In addition, no data was provided by 5 out of 9 national mining companies.

In addition, the report covers oil and gas locally consumed by electricity generation directorates, national gas companies and refineries. The work performed on these reconciliations was subject to many limitations, in addition, only 1 out of 6 electricity generation directorates provided information as more fully explained below.

Reconciliation differences disclosed in this report are mainly attributed to timing differences in recording transactions by the different entities. In addition, some of these differences are attributed to adopting a cash basis of accounting instead of accrual basis of accounting.

The Stakeholder Counsel of the Iraqi Extractive Industries Transparency Initiative (IEITI) has reviewed and provided a commentary regarding the draft report of year 2011. On 30 December 2013, the Stakeholder Counsel held a meeting during which the draft report was presented, discussed and approved.

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Executive Summary (continued)

Despite some delays, all concerned Government Entities and State Owned Companies have participated in the process except for the Ministry of Electricity, 5 out of 6 electricity generation directorates, the Ministry of Industry and Minerals and some of its affiliated companies.

With regards to the reconciliation of the local consumption of crude oil and gas by electricity generation directorates, the data received from national oil companies shows a total quantity of crude oil and gas supplied to electricity generation directorates during 2011 of 25,900,162 barrels and 314,167,666 cubic meters respectively. However, only one electricity generation directorate provided information of received oil and gas quantities from the South Oil Company amounting to 1,355,828 barrels of crude oil and 75,600,158 cubic meters of gas. Not providing the required information and data by the electricity generation directorates limited our ability to perform the required reconciliations.

The table below shows a total difference of US\$ 1.175 billion between the data as reported by SOMO and the buyers. This difference represents the total summation of several differences between buyers and SOMO. These differences were explained during the course of the reconciliation process.

Amount Reported by SOMO US\$	Amount Reported by Buyers US\$	Differences Explained US\$	Without reporting from counterparty US\$
82,986,002,828	81,810,684,105	1,175,318,723	-

Furthermore, the table below shows a difference of US\$ 645 million between data reported by Petroleum Contracts & Licensing Directorate (PCLD) and those of the International Oil Companies (IOCs) with respect to cost recovery and remuneration fees. This difference was explained through the course of the reconciliation process.

Amount Reported by PCLD US\$	Amount Reported by IOCs US\$	Differences Explained US\$	Without reporting from counterparty US\$
4,539,654,383	3,893,665,594	645,988,789	-

In addition, there are some differences reported in the reconciliation of internal service payments as reported by the Ministry of Oil and the national oil companies in the amount of US\$ 74 million. These differences were explained through the course of the reconciliation process. This is clearly illustrated in the table below.

Amount report by MoO US\$	Amount reported by National Oil Companies US\$	Differences Explained US\$	Without reporting from counterparty US\$
1,378,381,283	1,452,740,257	74,358,974	-

The reconciliation processes carried out included many challenges especially for the part related to data collection. The inability to obtain the required information from some entities have posed significant challenges to reconciliation efforts. In light of these challenges, alternative reconciliation procedures were adopted and carried out. Our experience in that regard and the lessons learned from this process including recommendations for the future have been summarized and presented in Chapter 8.



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Terms and Abbreviations

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Terms and Abbreviations

API	The American Petroleum Institute gravity measure which indicates the specific gravity of oil at 60 degree Fahrenheit
Barrel	A quantity consisting of forty two (42) United States Gallons under a pressure of 14.7 pound per square inch and a temperature of sixty (60) degrees Fahrenheit
BCM	Billion Cubic Meter
BSA	Board of Supreme Audit
Calendar Month / Month	In respect of any month in a calendar year, a period commencing on the first day of that month and ending on the last day of the same month
Calendar Year / Year	A period of twelve (12) consecutive months commencing with the first day of January and ending with the last day of December, according to the Gregorian Calendar
Crude Oil	All hydrocarbons regardless of gravity which are produced and saved from the Contract Area in the liquid state at an absolute pressure of fourteen decimal seven (14.7) pounds per square inch and a temperature of sixty (60) degrees Fahrenheit, including asphalt, tar and the liquid hydrocarbons known as distillates or condensates obtained from natural gas at facilities within the field other than a gas plant
CBI	Central Bank of Iraq
COFE	Committee of Financial Experts
CPA	Coalition Provisional Authority
Destination	The place to which oil is shipped or directed
DFI	Development Fund for Iraq
Dinar or Iraqi Dinar or IQ	The currency of the Republic of Iraq
Dollar or US\$	Dollar of the United States of America
Due date	The date on which an obligation must be repaid
Export Oil	A standard blend of crude oil of nearest quality to the crude oil stream produced from the field, out of which a contractor may lift at the delivery point for the value of its due service fees under the contract
Export Oil Price	The price per barrel of export oil that is free on board (FOB) at the delivery point
FDI	Foreign Direct Investments
FRBNY	Federal Reserve Bank of New York
Government or Gol	The Government of the Republic of Iraq
IAMB	International Advisory Monitoring Board
IEITI	Iraqi Extractive Industries Transparency Initiative
IAMB	International Advisory Monitoring Board
Internal consumption	Oil used for domestic purposes
IOCs	International oil companies (international field development oil companies)
KRG	Kurdistan Regional Government
LC	Letter of credit

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Terms and Abbreviations (continued)

Loading Date	The date of flanges of the relevant offshore loading terminal(s) in Iraqi and Turkish seaports where a contractor may lift export oil
LPG	Liquid petroleum gas
MIM	Ministry of Industry and Minerals of the Republic of Iraq
MdOC	Midland Oil Company of the Republic of Iraq
MdR	Midland Refineries Company
MNR	Ministry of Natural Resources (KRG)
MOC	Missan Oil Company of the Republic of Iraq
MoF	Ministry of Finance of the Republic of Iraq
MoO	Ministry of Oil of the Republic of Iraq
NA	Not Available
NOC	North Oil Company of the Republic of Iraq
NR	North Refineries Company
OPEC	Organization of the Petroleum Exporting Countries
OPRA	Oil Proceed Receipt Account
PCLD	Petroleum Contracts and Licensing Directorate
Production Measurement Point / PMP	The point within the field as agreed by the parties, where the volume and quality of crude oil produced and saved from the field is measured
RFB	Remuneration fees per barrel
Signature Bonus	The payment of a fee by an IOC to a host government, upon signing a concession license agreement (or technical service contract) with a national oil company or local oil company
SOC	South Oil Company of the Republic of Iraq
SR	South Refineries Company
SOMO	Iraq Oil Marketing Company. An Iraqi entity established under and governed by the laws of Iraq, and having monopoly on oil exports
Tax Year	The period of twelve (12) consecutive months according to the Gregorian Calendar for which tax returns or reports are required according to any applicable tax laws and regulations in Iraq
TPAO	Turkiye Petrolleri Anonim Ortakligi



Iraqi Extractive Industries Transparency Initiative (IEITI)

Introduction

Iraqi Extractive Industries Transparency Initiative (IEITI)

1. Introduction

1.1 Background: the EITI and Iraq

The Extractive Industries Transparency Initiative (EITI) sets a global standard for transparency in the oil, gas and mining industries. EITI's objective is to achieve a standard for review, analysis and publication of revenue flows between extractive industry companies and governments. In this manner, EITI aims to promote transparency in order to prevent corruption, and to provide citizens with a basis for demanding a fair use of revenue. Transparency is also expected to attract and enhance foreign direct investments.

EITI in Iraq

In May 2008, the Government of Iraq formally committed itself to implementing the EITI. In January 2010, Iraqi Extractive Industry Transparency Initiative launched an event in Baghdad, during which the Prime Minister Nouri Al Maliki declared Iraq's commitment to EITI. In February 2010, the EITI International Board announced from Oslo that Iraq had become an EITI candidate country.

Iraq had about 141,350 million barrels of proven oil reserves and 3,158 BCM of gas reserves in 2011 (3.3% of OPEC total gas reserves), making the country the fourth-largest oil reserves in the world (9.6% of the world's total reserves), and the country with the largest oil reserves to implement the EITI to date. (Source: OPEC 2013 Annual Statistical Bulletin)

As part of its implementation of the EITI, the Government of Iraq committed itself to publishing all revenues from its export sales from the Oil Sector. In addition, international companies buying oil from Iraq shared the same commitment of publishing what they have paid to the Government. A Board of Trustees (IEITI Stakeholders Council), which consists of representatives of the Government of Iraq, Iraqi monitoring bodies, Iraqi Professional Unions, National Oil Companies, International Extractive Oil Companies and Iraqi Civil Society Organization, will review the reported information, which will then be published in an EITI report.

The first EITI report was published in December 2011. On 9 August 2012, the IEITI Stakeholder Council agreed on a final validation report. The EITI Board had reviewed the report and on 12 December 2012 announced Iraq as an EITI compliant country.

1.2 The Iraqi Government's revenues from extractive industries in 2011

The extractive industries in Iraq are state-owned. The EITI in Iraq focuses on disclosing Iraq's revenues from export sales of crude oil, corporate taxes from extractive companies and signature bonuses from the IOCs. The scope of the initiative also includes crude oil used for internal consumption distributed to refineries, electricity generation directorates and national gas companies, in addition to, revenues from the Mining Sector.

Iraqi Extractive Industries Transparency Initiative (IEITI)

1. Introduction (continued)

1.3 What cash inflows are included in the IEIT reconciliation for financial year 2011 and how has the process been governed?

This report covers Iraq's Financial Year 2011 crude oil export sales (including all payments made and revenues received), in addition to signature bonuses received from the IOCs.

The report presents disaggregate data from all extractive companies operating in Iraq, with the exception of KRG, in addition, it covers cash inflows from internal oil consumption and other mining industries, and disaggregate data from all Governmental Agencies, and the underlying data reported by companies and the Government. The reporting and reconciliation process have been governed by the reporting process terms of reference.

1.4 The discussion by the IEITI Stakeholder Council regarding materiality

During its meeting held on 21 August 2013, the IEITI Stakeholder Council decided to adopt the following materiality level for the 2011 reporting process:

1. Crude oil buying companies are required to provide information on their purchases
2. IOCs are required to provide information on their signature bonuses, service payments and settled taxes
3. Crude oil and gas used for internal consumption should be declared by refineries, electricity generation directorates and national gas companies
4. Revenues and mining production quantities reported by the different entities operating in the Mining Sector

All discrepancies that equal to or exceed 1% of total amount of each caption should be analyzed and reported.

1.5 Content and objective of this report

This report summarizes the results of the third year's reconciliation of Iraq's 2011 petroleum and other extractive activities. The reconciliation is comprised of cash inflows for the fiscal year ended on 31 December 2011.

This report consists of eight chapters. Chapter 1 introduces the EITI and its objectives, Iraq's implementation of the Initiative and the reconciliation logic and process presented in this report. Chapter 2 presents the oil sale process. Chapter 3 highlights Oil Field Developing Extraction Activities - Licensing Rounds. Chapter 4 presents the reporting, compilation, and reconciliation processes used for implementing the EITI. Chapter 5 sets out the results of the reconciliation. Chapter 6 presents Iraq's Mining Industry. Chapter 7 presents a market research prepared by SOMO. Finally, Chapter 8 summarizes the lessons learned from the third year's reconciliation process.

Iraqi Extractive Industries Transparency Initiative (IEITI)

1. Introduction (continued)

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

The information presented is the responsibility of the reporting entities as listed in appendix 1. Procedures carried out by the reconciler do not constitute either an audit or review made in accordance with International Standards on Auditing or International Standards on Review Engagements, and therefore, we do not express any assurance on the reported data. Had we performed an audit or review made in accordance with International Standards on Auditing or International Standards on Review Engagements, other matters might have come to our attention that would have been reported to you. Ernst & Young assumes no responsibility whatsoever in respect to or arising from or in connection with the contents of this report to parties other than the IEITI. Accordingly, regardless of the form of action, whether in contract, tort or otherwise, and to the extent permitted by the applicable law, Ernst & Young accepts no liability of any kind and disclaims all responsibility for the consequences of any person acting or refraining to act in reliance on the contents of this report, or for any decisions made or not made which are based upon the contents of this report. If others choose to rely, in any way, on the contents of this report, they do so entirely at their own risk.

1.6 The Oil and Gas Industry in Iraq

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

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

Although Iraq is endowed with approximately 9.6% of the world's proven oil reserves (141,350 million barrels) and major natural gas reserves (at least 3,158 BCM, estimated to be 3.3% of the world total), actual oil production during the last ten years has only been around 2.0 - 2.4 million barrels per day (compared to a peak of about 4 million barrels per day in the 1970's). In the aftermath of the conflicts affecting Iraq in the 1990's and especially during the last ten years, oil production has plummeted (although current high oil prices have allowed Iraq to rather maintain its fiscal position) and production, transport, storage and export infrastructure have greatly suffered over the past two decades. This is due to the lack of proper and appropriate maintenance in place, which had resulted from the lack of capital for its development and, naturally, from war-related damages and acts of sabotage.

Iraqi Extractive Industries Transparency Initiative (IEITI)

1. Introduction (continued)

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

1.7 Institutional Framework for the Petroleum Sector in Iraq

The Ministry of Oil is at the apex of the Oil and Gas Sector of the Federal Government, where they handle all aspects pertaining to policy, regulation, exploration, production, marketing of oil and gas, and are structured broadly along regional and functional lines.

In addition to the Ministry of Oil and Oil Marketing Company (SOMO), the key components of this structure includes:

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

In addition, other major components include exploration and drilling, research and development, transport, pipeline companies, refinery companies, gas companies, storage and export terminals among others.

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

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

1. Introduction (continued)

Central Iraq's Oil and Gas Sector institutional structure is dominated by the four National Oil Companies and in which the Government is the major operator. Nonetheless, many IOCs are moving in by means of service contracts, in order to improve hydrocarbon production from existing producing fields. Other IOCs are moving in as well holding production service contracts in promising exploration & production areas.

These activities will substantially increase the need to reconcile "payments and revenues" in accordance with the EITI's criteria, which were developed and tailored to reflect the evolving state of upstream oil and gas exploitation in Iraq. This is also where metering at critical points of the value chain is of the essence. Moreover, the Ministry of Oil will need to adhere to such rigorous criteria for downstream activities, in which they were also tailored to match Iraq's current situation.



Iraqi Extractive Industries Transparency Initiative (IEITI)

Oil Sales Process

Iraqi Extractive Industries Transparency Initiative (IEITI)

2. Oil Sales Process

The sole and official exporter of Iraq's crude oil is SOMO which was established in accordance with Public Companies Law No. 22 of 1997. It aims to contribute to the support of the national economy through the marketing of crude oil and natural gas outside Iraq in addition to the marketing of crude oil inside Iraq. Its activities includes importing LPG and other products for domestic consumption, in order to maximize Iraq's economic resources and development. It is, therefore, geared towards the more stable and long-term market, rather than the volatile spot market.

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

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

The main eligibility criterion for companies to purchase Iraq's crude oil is for these companies to be end-users/consumers. The eligibility criteria are summarized as follows:

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

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

SOMO bases its allocation of the quantity of crude oil, which is designated for sale to a qualifying company, on a set of similar principles applicable to all buyers which are defined as follows:

- All quantities of crude oil designated for export (after allocation of crude oil quantities needed for domestic use by refineries and power plants) are sold in global markets according to global price formulas in order to achieve maximum return on Iraq's resources
- Priority, in terms of allocation, is given to qualified companies that have large refining capacities, as these companies are able to withstand sudden price fluctuations and, at the same time, maintain the demand for Iraqi crude oil over the long-term
- This policy intends to ensure even distribution of Iraqi oil throughout the major global markets (American, European and Asian markets) under a sound and an adjustable allocation system. This enables exports to increase in a manner that meets world demand

2. Oil Sales Process (continued)

2.3 Contracting mechanism and the method used to implementing crude oil export contracts

SOMO's contracts with qualified companies are semi-annual, annual or long term contracts and are designed to operate according to the following process:

Contract Mechanism:

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

2. Oil Sales Process (continued)

Contract implementation:

1. The execution of the contract begins when the Shipping & Quantities Division and the Financial Commercial Division of SOMO are provided with the contract execution details
2. SOMO sets the date on which the shipments should be loaded and requests the purchasing company to inform the carrier to make all necessary arrangements in order to load the shipment in a timely manner. The purchasing company officially informs SOMO of the nominated carrier. In turn, SOMO would need to approve the carrier depending on the carrier's technical specifications and the specifications of the loading port
3. The purchasing company issues an irrevocable letter of credit through a recognized bank to the benefit of the Central Bank of Iraq, prior to approving the carrier and not less than seven days of that date. The letter of credit should be issued for not less than the estimated amount of the shipment. SOMO then instructs the loading port to load the carrier's vessels, with an emphasis on the fact that the destination of the shipment may not be amended once the letter of credit is issued
4. After completion of loading, the port issues a bill of lading which includes the quantity loaded, the degree of density (API Gravity), date, and the final destination of shipment in addition to other related documents
5. Afterwards, SOMO calculates the barrel's final price in accordance with the terms of the contract and informs the purchasing company in order for the company to settle the value of the shipment within 30 days from the bill of lading date
6. Crude oil is not sold on the basis of a fixed price or a discount or a specific premium. It is sold using a standard pricing mechanism for each market, globally known as the official selling price

Source: Oil Marketing Company (SOMO)

Pricing Procedure:

SOMO uses the Official Selling Price (OSP) for crude oil export sales to enhance the transparency when dealing with its buyers, and to avoid price negotiations with buyers through the consolidation of crude oil prices for all buyers in each market.

General crude oil price formula: $OSP + (-) D + (-) API + (-) F$

Iraqi Extractive Industries Transparency Initiative (IEITI)

2. Oil Sales Process (continued)

I- Basrah Crude Oil:

OSP is calculated based on three international benchmarks depending on the final destination as follows:

- American destination (Latin and North America): OSP is calculated by taking the monthly arithmetic average of Argus Sour Crude Index ASCI (Front Month) of the month of accepting the nomination net of any escalation factors
- European destination: OSP is calculated by taking the arithmetic average of the means of high and low spot assessments of Brent dated quotations as published in the PLATTS crude oil market wire for 5 consecutive quotations starting from the 15th day from the date of bill of lading (bill of lading day is day one) net of any escalation factors
- Far East: OSP is calculated by taking the monthly arithmetic average of the means of high and low spot assessments of (Oman/Dubai) quotations, as published in the PLATTS crude oil market wire, for whole month quotations, during the calendar month of accepting the nomination, net of any escalation factors

The PLATTS average is subject to a correction factor (discounts) in order to determine the final OSP of each shipment. The correction factors are:

- API escalation: API is a specific gravity scale developed by the American Petroleum Institute (API) for measuring the relative density of crude oil. API correction factor calculated by reduce/increase US\$0.4 for each whole tenth of degree of API below/above 34
- (F) Freight escalation: the final price for each shipment destined to North and Latin America and Europe is adjusted by taking the difference between A and B below:
 - A. The average world scale quotations published in PLATTS dirty tanker wire for the Arab Gulf - US Gulf (260 KT North and South America bound ships) and Arab Gulf - UKC (260 KT Europe bound ships) for the month preceding the loading month
 - B. A base world scale rate of 40

The freight adjustment takes into consideration the following:

- The buyer is compensated if the assessment in A is more than the Base Rate
- The seller is compensated if the assessment in A is less than the Base Rate
- Basra light of 34 API a conversion factor Metric TON/Barrel of 7.37
- (D) Price differentiation: is offered to induce customers due to the security situation in Iraq and the assessment of the oil market using primarily Saudi Arabia as a benchmark.

Iraqi Extractive Industries Transparency Initiative (IEITI)

2. Oil Sales Process (continued)

In addition, it takes into consideration the difference in quality between WTI and Basra Oil. Price differentiation discount is determined on a monthly basis by a committee composed of members from the audit, legal, crude oil marketing, finance and crude oil shipping departments, the decision of which is raised to SOMO's Board and ultimately to the Ministry of Oil.

II- Kirkuk Crude Oil:

OSP is calculated based on three international benchmarks depending on the final destination as follows:

- American destination (Latin and North America): OSP is calculated by taking the monthly arithmetic average of Argus Sour Crude Index ASCI of the month of accepting the nomination net of any escalation factors
- European destination: OSP is calculated by taking the arithmetic average of the means of high and low spot assessments of Brent dated quotations as published in the PLATTS crude oil market wire for 5 consecutive quotations starting from the bill of lading date (bill of lading day is day one) net of any escalation factors

The PLATTS average is subject to correction factor (discounts) in order to determine the final OSP for each shipment. The correction factors are:

- API escalation: API is a specific gravity scale developed by the American Petroleum Institute (API) for measuring the relative density of crude oil. API correction factor calculated by reduce/increase US\$0.4 for each whole tenth of degree of API below/above 34
- (F) Freight escalation: the final price for each shipment destined to North and Latin America is adjusted by taking the difference between A and B below:
 - A. The average world scale quotations published in PLATTS dirty tanker wire for the Arab Gulf - US Gulf (260 KT North and South America bound ships) and Arab Gulf - UKC (260 KT Europe bound ships) for the month preceding the loading month
 - B. A base world scale rate of 40

The freight adjustment takes into consideration the following:

- The buyer is compensated if the assessment in A is more than the Base Rate
- The seller is compensated if the assessment in A is less than the Base Rate
- Basra light of 34 API a conversion factor Metric TON/Barrel of 7.37

Iraqi Extractive Industries Transparency Initiative (IEITI)

2. Oil Sales Process (continued)

- (D) Price differentiation: is offered to induce customers due to the security situation in Iraq and the assessment of the oil market using primarily Saudi Arabia as a benchmark. In addition, it takes into consideration the difference in quality between WTI and Basra Oil. Price differentiation discount is determined on a monthly basis by a committee composed of members from the audit, legal, crude oil marketing, finance and crude oil shipping departments, the decision of which is raised to SOMO's Board and ultimately to the Ministry of Oil.

Crude Oil Exports Process

A. Commercial contracting and vessels nomination

Subsequent to contracting with buyers, crude oil export process proceeds as follows:

- SOMO submits a monthly schedule of the monthly sales for execution to South Oil Company. This schedule includes the vessel's name and capacity, discharge destination, loading date and the buyers' name
- Upon the vessel's arrival to the oil terminal, the vessel's captain coordinates with the SOC Operations Committee, SOMO and the terminal manager to determine the loading date and time
- The vessel gets prepared for loading after examining the residual oil in the vessel, and insuring that it's free from sediments. Afterwards, the loading initiates according to the silos' capacity after signing the safety and legal documents related to the health and customs restrictions in accordance with international law
- The loading occurs in the presence of a measurement committee after endorsing the meters. Thereafter, the shipment's documents are prepared and that includes the following:
 - ❖ Shipping certificate
 - ❖ Manifest certificate
 - ❖ Origin certificate
 - ❖ Quantity and quality certificate
 - ❖ Time management certificate
 - ❖ Sediments certificate
 - ❖ Receiving loaded oil sample certificate
 - ❖ Metering certificate
 - ❖ Vessel availability for loading certificate
 - ❖ Vessel residual oil certificate
 - ❖ Safety certificate
 - ❖ Distribution certificate
 - ❖ Ullage certificate
- Upon signing all the above certificates, and when the vessel is ready for departure, SOC submit all the certificates to SOMO

2. Oil Sales Process (continued)

B. Matching process and third party inspectors' role

- SOMO is the party responsible to contract with third party verifiers operating at oil terminals. Third party verifiers include SGS and INTERTEK (Basrah & Ceyhan)
- Third party verifiers' responsibility is to calibrate meters and to endorse oil quantities loaded onto vessels. In case of any discrepancy between the terminal meters and the vessels' meters, the third party verifiers measure the loaded oil quantity through the ullage method of measurement.

Measurement meters at oil terminals

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

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

Source: Ministry of Oil - Technical Directorate

2.4 Crude oil export process through Iraq southern oil terminals

The information presented in this section was prepared by the South Oil Company. It presents, in detail, the crude oil export process through the southern oil terminals

Productive Oil Fields in year 2011

Production and export of crude oil in the southern fields in 2011 were made through ten productive fields, where oil is extracted through production stations in each field. The production capacity of each station ranges from 10 to 200 thousand barrels per day. Extracted oil is collected in fixed ceiling flow tanks with minor capacities, and then stored in oil silos where each silo contains four to twenty flexible ceiling tanks with capacities between 56,000 to 82,000 cubic meters. Finally, oil is pumped to export terminals or to domestic consumption units.

2. Oil Sales Process (continued)

The table below displays the production capacities of the different oil fields for year 2011.

Oil Field	Production capacity in 2011 (thousand barrel/day)
Al Rumailah Northern Field	537.2
Al Rumailah Southern Field	665.5
West Qurna 1 Field	355.7
Al Zubair Field	286.0
Allihiss Field	53.1
Bin Omar Field	45.2
Al Touba Field	17.9
Artawi Field	18.8
Al Nassiriyah Field	12.0
Majnoon Fields	58.9
Total	2,050.3

Source: South Oil Company

2. Oil Sales Process (continued)

Marine Pipelines

In the past, oil vessels used to be loaded through pumping from Al FAO Silo, but during the Iraqi Iranian war, Al FAO port was seriously damaged, therefore and since then the pumping is made from three silos:

- 1- Al Zubair Silo 1 through a pipeline with a diameter of 42 knots and a length of 92 kilometers
- 2- Al Zubair Silo 2 through a pipeline with a diameter of 48 knots and a length of 105 kilometers
- 3- PS 1 Silo through a pipeline with a diameter of 48 knots and a length of 139 kilometers

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

Pipeline Name	Number of Pipelines	Length (Kilometer)	Diameter (Inch)	Status
Al FAO (Basrah Terminal)	2	50	48	Operational
Al FAO (Al Umayyah Terminal)	1	46	42	Operational
Al FAO (Al Umayyah Terminal)	2	46	32	Not operational
Al FAO - SPM 1,5	1	50	48	Not operational
Al FAO - SPM 2,3	1	50	48	Operational
Al FAO - SPM 4	1	50	48	Not operational

Source: South Oil Company

Oil Terminals

A. Basrah Oil Terminal

The first oil vessel was loaded from this terminal in year 1953. This terminal comprises of four loading wharfs; each with three loading arms. Each wharf has a loading capacity of 35,000 barrels per hour. The designed loading capacity of the terminal is 1.8 million barrels/day, while the current operational loading capacity is 1.75 million barrels/day.

B. Al Umayyah Oil Terminal:

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

Iraqi Extractive Industries Transparency Initiative (IEITI)

2. Oil Sales Process (continued)

C. Single Point Mooring (SPM):

The table below includes the technical information related to the current and prospective SPMs.

Wharf number	Status	Loading capacity (thousand barrel/day)	Notes
SPM1	Not Operational	900	Will operate during the month of April 2014
SPM2	Operational	900	Operational since 7 March 2012
SPM3	Operational	900	Operational since 19 April 2012
SPM4	Not Operational	900	Under construction (will operate at the end of year 2014)
SPM5	Not Operational	900	Will operate during the first quarter of 2014

Source: South Oil Company

Southern oil terminals export capacities in year 2011

The table below displays export capacities of the southern oil terminals during year 2011.

Month	Basrah and Al Umayyah Oil Terminals (thousand barrel/day)
January	54,051,394
February	47,825,331
March	52,286,480
April	49,676,583
May	53,478,709
June	51,764,002
July	53,013,528
August	53,568,870
September	53,014,451
October	50,548,916
November	51,351,542
December	53,735,309
Total	624,315,115

Source: South Oil Company

Iraqi Extractive Industries Transparency Initiative (IEITI)

2. Oil Sales Process (continued)

2.5 Crude oil export process through Iraq Northern oil terminal

The data presented in this section was prepared by the North Oil Company. It presents, in detail, the crude oil exports process through the northern oil terminals.

Productive Oil Fields in year 2011

Production and export of crude oil in the northern fields in 2011 were made through nine productive fields, where oil is extracted through production stations in each field. The production capacity of each station ranges from 300 to 100,000 thousand barrels per year.

The table below displays the production capacities of the productive oil fields for the year 2011

Oil Field	Production capacity in 2011 Thousand Barrel / Year
Kirkuk Field	105,432
Jambur Field	20,121
Bai Hassan Field	71,369
Khabaz Field	10,044
Ajeel Field	7,672
Ain Zala Field	1,698
Butma Field	311
Sifaya Field	1,260
Qayara Field	808
Total	218,715

Source: North Oil Company

Oil Transportation Pipelines

The North Oil Company exports Iraqi crude oil via Ceyhan seaport in Turkey by pumping crude oil into a pipelines network.

The table below includes the details related to the pipelines which connect Iraqi oil pumping stations with Ceyhan sea port

Pipeline Name	Number of Pipelines	Length (Kilometer)	Diameter (Inch)	Status (Operational Under Construction)
Iraqi - Turkey P/L New	1	74	40"	Kirkuk (IT1) -Fat'ha
Iraqi - Turkey P/L Old	1	47	40"	Fat'ha - IT1A
Iraqi - Turkey P/L Old	1	646	40"	MS(Iraqi)-Ceyhan Terminal (Turkey)
Iraqi - Turkey P/L	1	864	46"	IT1A(Iraqi)-Ceyhan Terminal (Turkey)

Source: North Oil Company

2. Oil Sales Process (continued)

Oil Terminals

Ceyhan Terminal:

The table below includes crude oil loading capacity at Ceyhan seaport.

Wharf number	Status	Loading capacity (thousand barrel/day)
No.1	In operation	3,019
No.2		3,019
No.3		1,510
No.4		1,510

Source: North Oil Company

Northern oil terminals export capacities in year 2011

The table below display the exported quantities of the Iraqi crude oil via Ceyhan seaport terminal during year 2011.

Month	Ceyhan Terminal (Turkey) - barrel
January	12,677,726
February	13,552,263
March	14,322,940
April	14,240,349
May	15,194,367
June	16,118,983
July	13,839,914
August	14,185,019
September	9,930,211
October	14,013,526
November	12,532,511
December	12,639,116
Total	163,246,925

Source: North Oil Company

Iraqi Extractive Industries Transparency Initiative (IEITI)

2. Oil Sales Process (continued)

2.6 Distribution of Oil Export Sales by SOMO in 2011

The following table illustrates the value of Iraqi crude oil sold to buyers as reported by SOMO in US\$:

No.	Company Name	Far East US\$	USA US\$	Europe US\$	Total Buyers US\$
1	INDIAN OIL CORP (CHENNAI PETROLEUM CORPORATION)	9,519,012,213	-	-	9,519,012,213
2	EXXON MOBIL SALES AND SUPPLY CORPORATION GALLOWS	184,116,029	5,399,153,593	329,749,629	5,913,019,251
3	SINOCEM	5,446,406,834	-	-	5,446,406,834
4	CHINA INTERNATIONAL UNITED (UNIPEC)	4,689,487,968	-	-	4,689,487,968
5	BP Oil	-	3,247,946,494	1,417,316,132	4,665,262,626
6	CHEVRON	2,639,121,386	1,721,262,735	203,175,127	4,563,559,248
7	CONOCO PHILLIPS COMPANY	297,437,197	2,905,315,691	787,925,672	3,990,678,560
8	TOTAL	206,476,029	1,662,281,090	2,052,817,256	3,921,574,375
9	GS CALTEX SINGAPORE PTE. LTD	3,234,486,393	-	-	3,234,486,393
10	VALERO MARKETING & SUPPLY COMPANY	-	2,974,339,563	61,459,589	3,035,799,152
11	SHELL	746,360,482	548,881,343	1,644,422,506	2,939,664,331
12	SK ENERGY	2,451,618,357	-	-	2,451,618,357
13	TURKISH PETROLEUM INTERNATIONAL	-	-	2,446,832,231	2,446,832,231
14	NORTH PETROLEUM (ZENHUA Oil)	2,093,506,950	-	-	2,093,506,950
15	CHINA OFFSHORE OIL	2,015,760,670	-	-	2,015,760,670
16	TOYOTA	1,974,310,350	-	-	1,974,310,350
17	HINDUSTAN PETROLEUM CORPORATION LIMITED	1,932,080,940	-	-	1,932,080,940
18	JX NIPPON OIL	1,895,165,789	-	-	1,895,165,789
19	REPSOL	-	463,274,453	1,204,232,073	1,667,506,526
20	ENI TRADING	-	-	1,421,974,491	1,421,974,491
21	MITSUBISHI CORP (PETRO DIAMOND)	1,262,359,124	-	-	1,262,359,124
22	MOTOR OIL	-	-	1,232,612,403	1,232,612,403
23	CEPSA	-	-	1,174,093,552	1,174,093,552
24	SOCIETE ANONYME (SAMIR)	-	-	1,063,998,655	1,063,998,655
25	KOCH SUPPLY & TRADING	-	824,247,078	211,636,479	1,035,883,557
26	PETROBRAS (PETROLEO BRASILEIRO)	-	836,298,796	-	836,298,796
27	LITASCO	-	-	829,661,327	829,661,327
28	CHINA NATIONAL (CHINA Oil)	1,663,187,230	-	-	1,663,187,230
29	ERG RAFFINERIE	-	-	736,456,403	736,456,403
30	SARAS SPA - MILANO	-	-	721,359,601	721,359,601
31	KOREA NATIONAL OIL	-	621,168,845	-	621,168,845
32	VITOL	214,726,055	-	252,248,692	466,974,747
33	API	-	-	421,918,861	421,918,861
34	PETROVIETNAM	413,897,597	-	-	413,897,597
35	IPLOM	-	-	125,636,565	125,636,565
36	OCCIDENTAL ENERGY IRAQ LLC	66,621,159	-	60,324,065	126,945,224
37	KOREA GAS (KOGAS) IRAQ B.V	44,414,251	-	56,832,570	101,246,821
38	AL-WAHA PETROLEUM	-	-	62,598,821	62,598,821
39	JORDAN (Jordan Petroleum Refinery)	271,997,444	-	-	271,997,444
	Total	43,262,550,447	21,204,169,681	18,519,282,700	82,986,002,828

Source: SOMO



Iraqi Extractive Industries Transparency Initiative (IEITI)

3. Field Developing Extraction Activities - Licensing Rounds

3. Field Developing Extraction Activities - Licensing Rounds

This chapter was prepared based on information provided by the Ministry of Oil

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

Technical Service Contracts refers to oil and gas exploration and production contracts awarded by a producing country to International Oil Companies (IOCs) bidding with the lowest remuneration fees per barrel (RFB) as a reward of its capital and operational expenditures.

The Government of Iraq conducted four licensing rounds during the period from year 2009 to the date of this report.

3.1 First Licensing Round (2009):

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

On 18 February 2008 the Government of Iraq announced that thirty five international companies (including most of the so-called "majors") passed the pre-qualification stage out of a total of one hundred and forty companies who applied. The Government announced that there would be two main criteria for assessment; first, the production plateau offered by a consortium for any given field, where the higher the guaranteed production the better, second, the remuneration fee the consortium accepts per produced barrel once it reached the plateau - the lower the fee, the higher the company would score.

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

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

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

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

3.2 Second Licensing Round (2009):

The second licensing round offered by the Government of Iraq occurred during the period 11-12 December 2009. The terms and procedures of the second round were mostly similar to the first, which witnessed the re-entry of IOCs for the first time to Iraq since the nationalization of the industry back in the 1970s.

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

The lead time to complete the bidding process for the second round was more efficient and required less time to complete as compared to the first round. Overall, forty IOCs prequalified for the second bidding round.

There were seventeen bidding consortia, and the seven winning consortia gained access to fields with proven reserves of 32 billion barrels of oil. The production projections from the successful bidders, in the second round, have the potential to add about 4.765 million barrels of oil to its daily production. The 10 winning companies that formed the seven winning consortia were, Lukoil, Shell, Petronas, Japex, PetroChina, Total, Gazprom, Kogas, TPAO, and Sonangol.

3.3 Third Licensing Round (2010):

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

Contracts were awarded to one IOC and two Consortia in the third licensing round. The winning companies in this round were Kuwait Energy, TPAO, and Kogas. Signature bonuses were waived by the Government, a significant departure from the requirements of the first two rounds. In addition and unlike previous rounds, the annual commitment required from bidders of US\$5 million that is designated for Training, Technology and Scholarship Fund for on-job training of Iraqi nationals and the promotion of research in oil and gas technology was reduced to US\$1 million.

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

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

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

3.4 Fourth Licensing Round (2012):

Iraq's fourth licensing round occurred on 30 May 2012 and included unexplored areas in addition to newly discovered fields that have not been exploited yet (Virgin Oil Fields).

In April 2012, the Ministry of Oil announced that twelve blocks will be included in this round located in the provinces of Nineweh, Diyala, Wasit, Basrah, Muthanna, Qadisiya and Babel, as well as Najaf, Karbala, Samawa, Diwaniya and Anbar. These blocks were not included in the previous rounds.

Seven of the twelve blocks are gas-prone fields, while the rest have oil potential, holding a combined reserve estimated at 29 BCM of gas and 10 billion barrels of crude oil.

The fourth licensing round is the first to offer Exploration Contracts as compared to the Technical Service Contracts offered in the previous three rounds.

IOCs that qualified for the previous three licensing rounds were considered qualified and included in the fourth round regardless of whether a contract had been signed in previous rounds or not. For the period from December 2011 till the date of the fourth licensing round, forty seven companies had pre-qualified.

Contracts of the fourth licensing round featured several significant changes from the previous three rounds.

The remuneration fee, which represents the amount paid by the Government to the companies for each barrel of produced oil, is calculated differently under the new contract. Under the new remuneration formula, companies (contractors) will not get paid (payments in the form of oil) for the quantities produced by subcontractors. The Iraqi Government will deduct the cost of subcontracts from the total production and then pay the remuneration on the remaining production. That is to say, for example, if the total production is 1 million barrels and the contractor had spent 300,000 barrels on a subcontractor, the contractor will receive a payment for the remaining production only or 700,000 barrels. This new formula is aimed at cutting the cost of subcontracts and effectively ties companies' compensation to their cost-efficiency.

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

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

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

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

3.5 Tax structure for the standardized Technical Service Contracts held in the four licensing rounds

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

3.6 Signature bonuses received in year 2011

As per the PCLD records there were no licensing rounds during 2011. In addition, there were no signature bonuses payments made during 2011 related to previous licensing rounds.



Iraqi Extractive Industries Transparency Initiative (IEITI)

Reconciliation Process

4. Reconciliation Process

A reconciliation process is based on matching credible data from two or more sources accompanied by a proper explanation of differences. Reporting should be made by the concerned entities and the data should be relevant, credible and reported in accordance with the set criteria and requirements.

The reconciliation process consisted of the following steps:

- a. Reconciliation of the total revenues received by the Government of Iraq from oil exports as reported by the Ministry of Oil / SOMO and international oil buyers;
- b. Reconciliation of total revenues received by the Government of Iraq as corporate taxes as reported by the Ministry of Finance and international oil extracting companies;*
- c. Reconciliation of total revenues received by the Government of Iraq as bonuses as reported by the Ministry of Finance and international oil extracting companies;
- d. Reconciliation of total payments made by the Government of Iraq as internal service payments as reported by the national oil companies and the Ministry of Oil;
- e. Reconciliation of total payments made by the Government of Iraq as cost recovery as reported by the Ministry of Oil and international oil extracting companies;
- f. Reconciliation of total payments made by the Government of Iraq as remuneration fees as reported by the Ministry of Oil and international oil extracting companies;
- g. Reconciliation of the quantities of produced oil as reported by the Ministry of Oil, national oil companies and international oil extracting companies;
- h. Reconciliation of the quantities of exported oil as reported by the national oil companies, SOMO and third party verification companies; **
- i. Reconciliation of oil and gas quantities supplied to refineries, electricity generation directorates and national gas companies as reported by these entities, national oil companies and the Ministry of Oil; ***
- j. Reporting of discrepancies that exceeded the materiality threshold set by the Stakeholder Council at 1%
- k. Reconciliation of mining production quantities as reported by national mining companies and the Ministry of Industry and Minerals; ****
- l. Reconciliation of total revenues from mining production as reported by national mining companies and the Ministry of Industry and Minerals ****

* No taxes were paid by International oil extracting companies during year 2011 as all production revenues were used to cover cost recovery and remuneration fees payments.

** Reconciliation of exported oil quantities as reported by Ministry of Oil, SOMO, and third party verifiers were not performed due to not receiving the required information from third party verifiers. Alternatively, reconciliations of exported oil quantities were performed as reported by Ministry of Oil, SOMO, and buyers.

4. Reconciliation Process (continued)

*** Reconciliations were performed for oil and gas quantities supplied to refineries, and national gas companies (except South Gas Company) as incomplete information was provided by this company. Reconciliations were not performed for the quantities of oil and gas supplied to electricity generation directorates as 5 out of the 6 electricity generation directorates did not provide us with the required information.

**** Reconciliation of production quantities and revenues related to mining companies was not performed as only four out of nine national mining companies provided data and no data was provided by the Ministry of Industry and Minerals.

4.1 Reporting templates

Reporting templates have been developed and tailored (appendix 3) to facilitate the reporting process by the different reporting entities. These templates have been thoroughly reviewed by the IEITI Stakeholder Council before being approved on 28 August 2013.

4.2 Data collection

Based on the Stakeholder Council's approval of the reporting templates and their instruction to proceed with sending these templates to all reporting entities, the reporting templates and the related instructions for the completion of templates were sent electronically via email to all entities on 29 August 2013. The entities were required to report directly to the reconciler (EY) to whom they were also requested to direct any relate inquiries.

As of 17 December 2013, responses received by EY from the different reporting entities are summarized in the following table:

Reporting entities	Responses received/ total population
International oil buyers	39/39
International extractive companies	11/21
Third party verification companies	2/4
Iraqi Ministries and other governmental entities	12/15
Kurdistan Regional Government & entities operating in the region	No response

4.3 Reporting of cash flows to the DFI accounts

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

According to 2011 DFI audited financial statements, the total export sales of petroleum was Thousand US\$ 80,796,735 which agrees with the figure reported by SOMO for the year 2011. (Refer to appendix 4)

4. Reconciliation Process (continued)

Total Export Sales as per DFI report (Thousand US\$)	Total Export Sales as reported by SOMO (Thousand US\$)	Differences (Thousand US\$)
80,796,735	80,796,735	-

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

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

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

In accordance with UNSCR 1483 (2003), 95% of the proceeds from export sales of petroleum, petroleum products and natural gas are to be deposited at the DFI. The remaining 5% is deposited in the United Nations' Compensation Fund.

Export sales of petroleum, petroleum products, and natural gas

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

4.4 Compilation of data and resolution of discrepancies

The process of compilation, reconciliation and discrepancy analysis was performed during the period between September and December 2013.

The following procedures were performed:

- 1) Data collection from the different reporting entities;
- 2) Reconciliation of collected data in accordance with the reconciliation procedures mentioned under section (4) above;

4. Reconciliation Process (continued)

- 3) Where no differences were noted for the performed reconciliations, no further steps were undertaken;
- 4) Noted discrepancies from performed reconciliations were discussed with the concerned entities, and where necessary, additional information was requested in an effort of justifying these discrepancies;
- 5) Reporting of unjustified discrepancies



Iraqi Extractive Industries Transparency Initiative (IEITI)

Reconciliation of Reported Data

5. Reconciliation of Reported Data

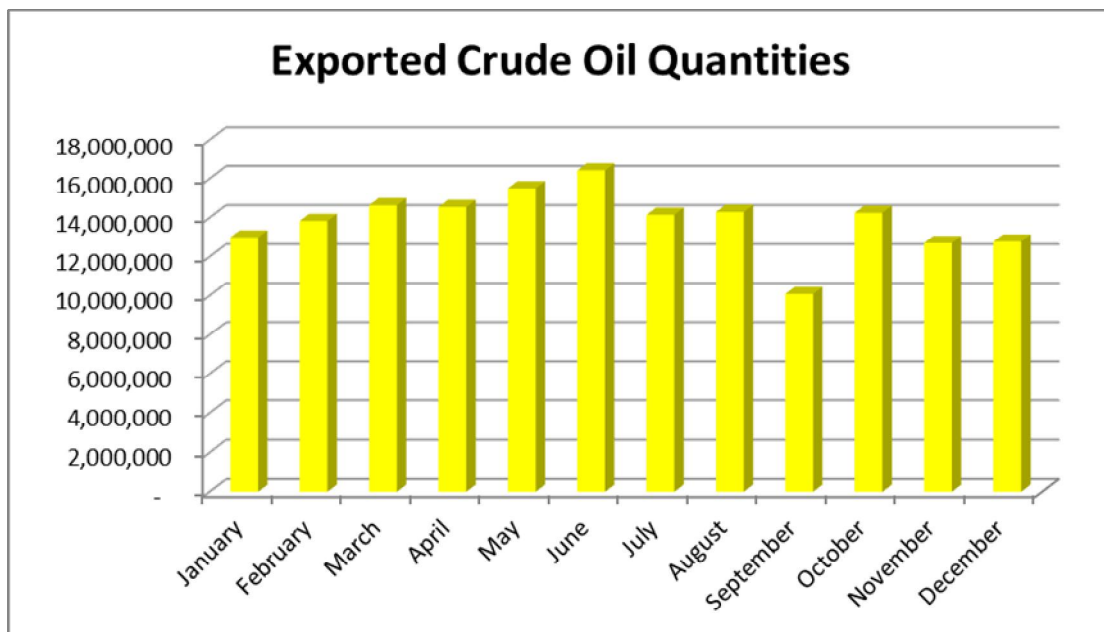
5.1 Extracted for export crude oil quantities (in barrels), reconciliation between Ministry of Oil, North Oil Company and SOMO

Month	Extracted for export crude oil quantities reported by MoO	Extracted for export crude oil quantities reported by SOMO	Extracted for export crude oil quantities reported by NOC	Differences *
January	12,987,575	12,987,575	10,437,222	(2,550,353)
February	13,832,253	13,832,253	10,327,589	(3,504,664)
March	14,632,722	14,632,722	9,955,673	(4,677,049)
April	14,540,201	14,540,201	8,671,164	(5,869,037)
May	15,504,309	15,504,309	8,517,641	(6,986,668)
June	16,418,859	16,418,859	10,145,931	(6,272,928)
July	14,149,733	14,149,733	8,334,213	(5,815,520)
August	14,286,529	14,286,529	9,184,992	(5,101,537)
September	10,083,523	10,083,523	6,013,780	(4,069,743)
October	14,248,042	14,248,042	9,816,651	(4,431,391)
November	12,698,573	12,698,573	8,321,654	(4,376,919)
December	12,772,063	12,772,063	8,358,883	(4,413,180)
Total	166,154,382	166,154,382	108,085,393	(58,068,989)

* No differences were noted between the quantities reported by the MoO and SOMO. Differences were noted between the quantities reported by MoO and SOMO from one part and the quantities reported by NOC. These differences represent the quantities of crude oil received by NOC from KRG amounting to 26,840,530 barrel for purposes of exporting it through NOC and the surplus that is returned from North refineries amounting to 31,228,459 barrel.

5. Reconciliation of Reported Data (continued)

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



5. Reconciliation of Reported Data (continued)

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

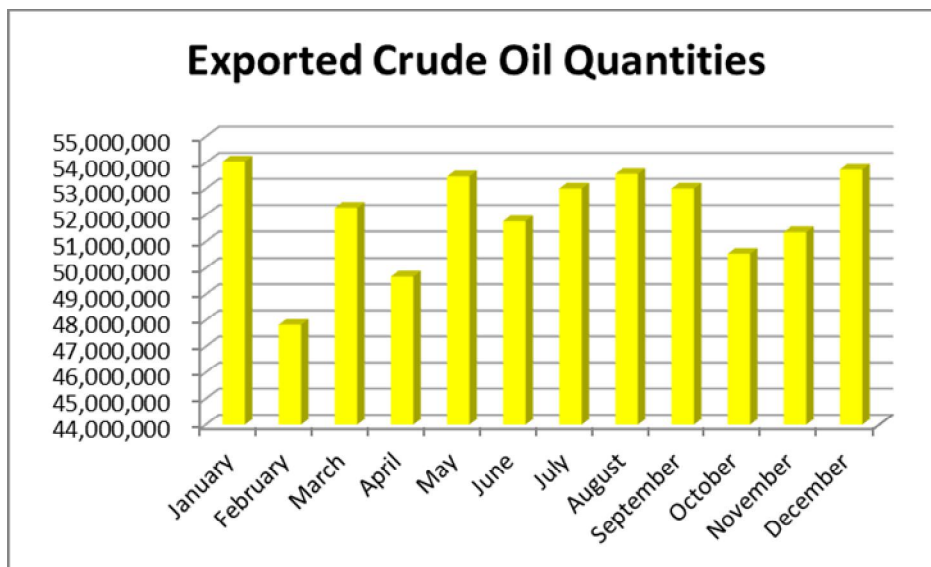
Month	Extracted for export crude oil quantities reported by MoO	Extracted for export crude oil quantities reported by SOC *	Extracted for export crude oil quantities reported by SOMO	Differences
January	54,051,394	54,051,394	54,051,394	-
February	47,825,331	47,825,331	47,825,331	-
March	52,286,480	52,286,480	52,286,480	-
April	49,676,583	49,676,583	49,676,583	-
May	53,478,709	53,478,709	53,478,709	-
June	51,764,002	51,764,002	51,764,002	-
July	53,013,528	53,013,528	53,013,528	-
August	53,568,870	53,568,870	53,568,870	-
September	53,014,451	53,014,451	53,014,451	-
October	50,548,916	50,548,916	50,548,916	-
November	51,351,542	51,351,542	51,351,542	-
December	53,735,309	53,735,309	53,735,309	-
Total	624,315,115	624,315,115	624,315,115	-

* The quantities reported by South Oil Company include the crude oil received from Missan Oil Company, Midland Oil Company for exporting purpose and the surpluses returned from South refineries as follows:

Missan Oil Company	30,808,062 barrel (Refer to page 44)
Midland Oil Company	5,719,708 barrel (Refer to page 46)
South Refineries	20,063,279 barrel

5. Reconciliation of Reported Data (continued)

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



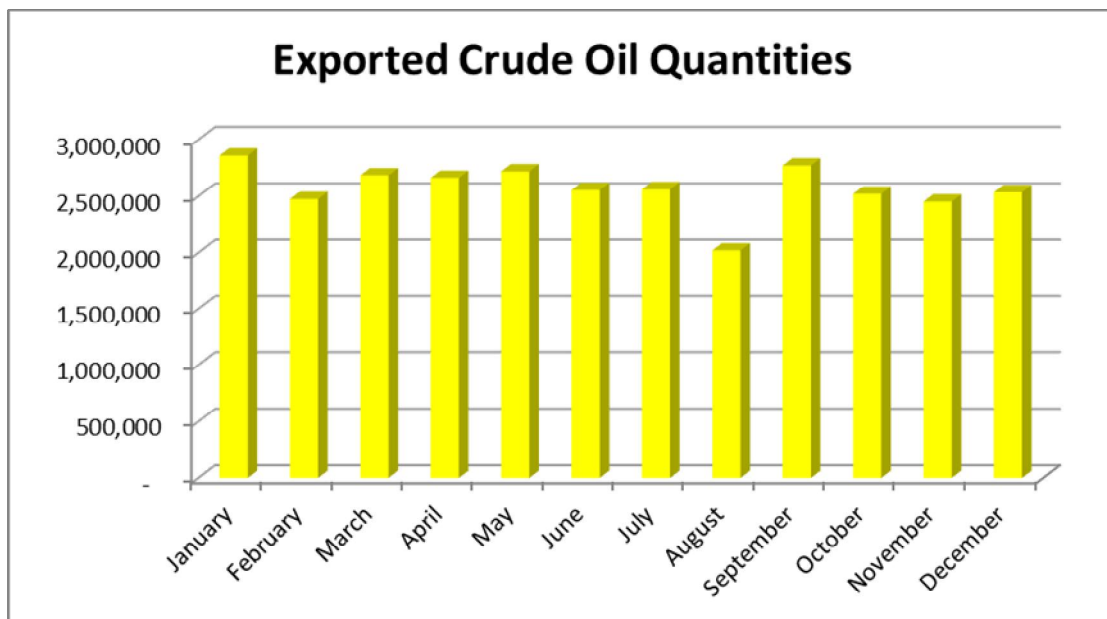
5. Reconciliation of Reported Data (continued)

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

Month	Extracted for export crude oil quantities reported by MoO	Extracted for export crude oil quantities reported by MOC	Extracted for export crude oil quantities reported by SOMO	Variances
January	2,859,032	2,859,032	2,859,032	-
February	2,475,142	2,475,142	2,475,142	-
March	2,683,525	2,683,525	2,683,525	-
April	2,661,362	2,661,362	2,661,362	-
May	2,718,140	2,718,140	2,718,140	-
June	2,553,374	2,553,374	2,553,374	-
July	2,559,782	2,559,782	2,559,782	-
August	2,020,030	2,020,030	2,020,030	-
September	2,770,310	2,770,310	2,770,310	-
October	2,520,949	2,520,949	2,520,949	-
November	2,452,262	2,452,262	2,452,262	-
December	2,534,154	2,534,154	2,534,154	-
Total	30,808,062	30,808,062	30,808,062	-

5. Reconciliation of Reported Data (continued)

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



5. Reconciliation of Reported Data (continued)

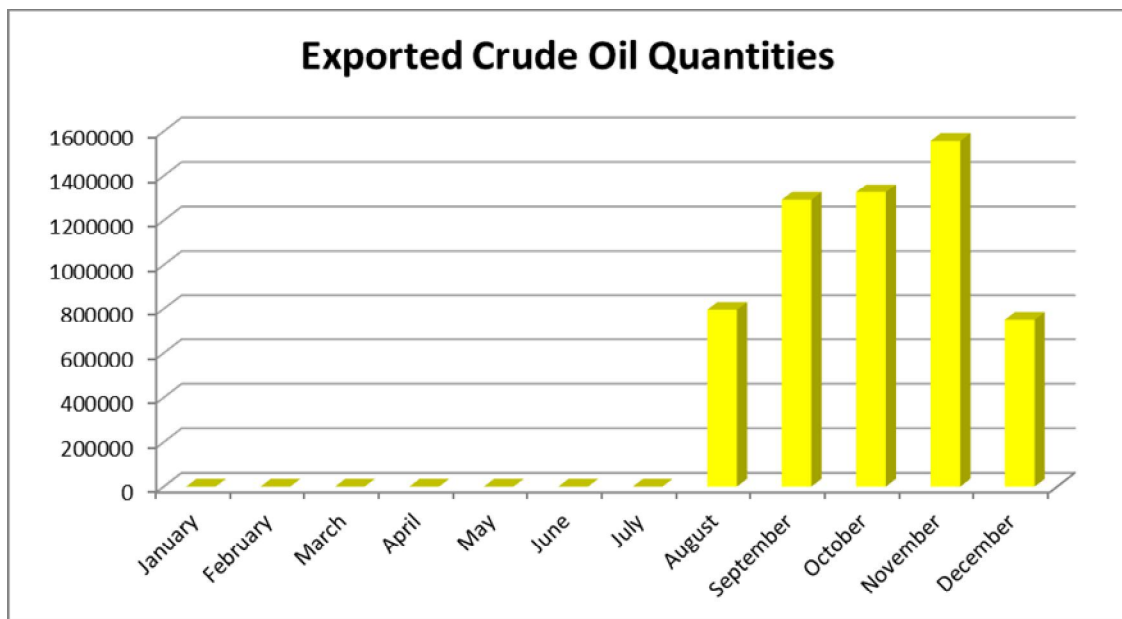
5.4 Extracted for export crude oil quantities (in barrels), reconciliation between Ministry of Oil, Midland Oil Company and SOMO

Month	Extracted for export crude oil quantities reported by MoO	Extracted for export crude oil quantities reported by MdOC	Extracted for export crude oil quantities reported by SOMO	Differences *
January	-	-	-	-
February	-	-	-	-
March	-	-	-	-
April	-	-	-	-
May	-	-	-	-
June	-	-	-	-
July	-	-	-	-
August	-	-	795,454	(795,454)
September	-	-	1,290,530	(1,290,530)
October	-	-	1,325,379	(1,325,379)
November	-	-	1,557,237	(1,557,237)
December	-	-	751,108	(751,108)
Total	-	-	5,719,708	(5,719,708)

* The differences are attributed to the fact that crude oil exported quantities of Midland Oil Company are included in the exported quantities of crude oil reported by South Oil Company, hence Midland Oil Company and Ministry of Oil do not report any exported quantities of crude oil.

5. Reconciliation of Reported Data (continued)

5.4 Extracted for export crude oil quantities (in barrels), reconciliation between Ministry of Oil, Midland Oil Company and SOMO



5. Reconciliation of Reported Data (continued)

5.5 Exported crude oil reconciliation between SOMO and buyers for the year 2011

No.	Buyers Name	Amount SOMO US\$	Amount buyer US\$	Difference US\$	Note Reference
1	INDIAN OIL CORP (CHENNAI PETROLEUM CORPORATION)	9,519,012,213	9,519,012,213	-	-
2	SINOCEM	5,446,406,834	5,529,612,887	(83,206,053)	A
3	CHINA INTERNATIONAL UNITED (UNIEC)	4,689,487,968	4,658,777,527	30,710,441	B
4	BP Oil	4,665,262,627	4,436,568,308	228,694,319	C
5	CHEVRON	4,563,559,247	4,287,834,897	275,724,350	D
6	CONOCO PHILLIPS COMPANY	3,990,678,560	3,990,678,560	-	-
7	GS CALTEX SINGAPORE PTE. LTD	3,234,486,393	3,371,433,287	(136,946,894)	E
8	VALERO MARKETING & SUPPLY COMPANY	3,035,799,153	2,984,990,107	50,809,046	F
9	SHELL	2,939,664,330	2,890,893,528	48,770,802	G
10	SK ENERGY	2,451,618,356	2,451,618,356	-	-
11	TURKISH PETROLEUM INTERNATIONAL	2,446,832,230	2,446,832,230	-	-
12	NORTH PETROLEUM (ZENHUA Oil)	2,093,506,950	1,988,486,303	105,020,647	P
13	CHINA OFFSHORE OIL	2,015,760,670	2,010,252,930	5,507,740	H
14	TOYOTA	1,974,310,350	1,932,639,205	41,671,145	I
15	HINDUSTAN PETROLEUM CORPORATION LIMITED	1,932,080,940	1,932,080,940	-	-
16	JX NIPPON OIL	1,895,165,789	1,680,893,433	214,272,356	J
17	REPSOL	1,667,506,526	1,667,506,526	-	-
18	ENI TRADING	1,421,974,491	1,306,390,867	115,583,624	O
19	MITSUBISHI CORP (PETRO DIAMOND)	1,262,359,124	1,050,639,989	211,719,135	K
20	MOTOR OIL	1,232,612,403	1,232,612,403	-	-
21	CEPSA	1,174,093,552	1,174,093,552	-	-
22	SOCIETE ANONYME (SAMIR)	1,063,998,654	1,063,998,654	-	-
23	KOCH SUPPLY & TRADING	1,035,883,558	1,036,041,033	(157,475)	L
24	PETROBRAS (PETROLEO BRASILEIRO)	836,298,796	836,298,796	-	-

5. Reconciliation of Reported Data (continued)

5.5 Exported crude oil reconciliation between SOMO and buyers for the year 2011

No.	Buyers Name	Amount SOMO US\$	Amount buyer US\$	Difference US\$	Note Reference
25	LITASCO	829,661,327	769,327,714	60,333,613	M
26	CHINA NATIONAL (CHINA Oil)	1,663,187,230	1,663,187,230	-	-
27	SARAS SPA - MILANO	721,359,601	721,359,601	-	-
28	KOREA NATIONAL OIL	621,168,845	621,168,845	-	-
29	API	421,918,861	421,918,861	-	-
30	IPLOM	125,636,565	125,636,565	-	-
31	JORDAN (Jordan Petroleum Refinery)	271,997,447	271,997,447	-	-
32	AL-WAHA PETROLEUM	62,598,821	71,432,728	(8,833,907)	N
33	PETROVIETNAM	413,897,597	415,507,386	(1,609,789)	Q
34	VITOL	466,974,747	466,974,747	-	-
35	OCCIDENTAL ENERGY IRAQ LLC	126,945,224	126,945,224	-	-
36	TOTAL	3,921,574,374	3,921,574,360	14	SD
37	ERG RAFFINERIE	736,456,403	736,455,803	600	SD
38	EXXON MOBIL SALES AND SUPPLY CORPORATION GALLOWS	5,913,019,251	5,895,764,242	17,255,009	R
39	KOGAS IRAQ B.V	101,246,821	101,246,821	-	-
	Total	82,986,002,828	81,810,684,105	1,175,318,723	

5. Reconciliation of Reported Data (continued)

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

5.6 Discrepancies

Discrepancies noticed during the reconciliation process resulted from the following:

- 1) Some buyers reported shipments that were loaded in the year 2010, where its related due dates were in year 2011. These shipments were not reported by SOMO in the year 2011 where SOMO had reported its actual shipments that occurred during year 2011. (December 2010 shipments)
- 2) SOMO reported shipments that were loaded in year 2011, where its related due dates were in the year 2012. These shipments were not reported by the buyers in 2011 since its related due dates were in the year 2012. (December 2011 shipments)

Ref	Diff description	Amounts reported by SOMO not reported by the buyer US\$	Amounts reported by the buyer not reported by SOMO US\$	Total Difference US\$
A	The difference represents three shipments loaded in December 2010 with due date in 2011.	-	(83,206,053)	(83,206,053)
B	The difference represents one shipment loaded in December 2010 with due date in 2011, and one shipment loaded in December 2011 with due date in 2012.	201,986,715	(171,276,274)	30,710,441
C	The difference represents two shipments loaded in 2011 related to 2010 contracts.	228,694,319	-	228,694,319
D	The difference represents two shipments related to 2010 contracts loaded in January 2011, six shipments loaded in December 2011 with due date in 2012 and delay penalty amounting to US\$ 1,984,439.	619,664,147	(343,939,797)	275,724,350
E	The difference represents a shipment related to 2011 loaded in January 2012.	-	(136,946,894)	(136,946,894)
F	The difference represent two shipments related to 2010 contracts loaded in January 2011 and one shipment loaded in December 2011 with due date in 2012.	210,623,959	(159,814,913)	50,809,046

5. Reconciliation of Reported Data (continued)

Ref	Diff description	Amounts reported by SOMO not reported by the buyer US\$	Amounts reported by the buyer not reported by SOMO US\$	Total Difference US\$
G	The difference represents two shipments related to 2010 contracts loaded in January 2011 and one shipment loaded in December 2011 with due date in 2012.	256,709,344	(207,938,542)	48,770,802
P	The difference represents one shipment loaded in December 2011 with due date in 2012, and one shipment loaded in December 2010 with due date in 2011.	208,879,716	(103,859,069)	105,020,647
H	The difference represents one shipment loaded in 2011 related to 2010 contracts.	5,507,740	-	5,507,740
I	The difference represents two shipments related to 2010 contracts loaded in January 2011 and one shipment loaded in December 2011 with due date in 2012.	215,152,364	(173,481,219)	41,671,145
J	The difference represents one shipment loaded in December 2011 with due date in 2012.	214,272,356	-	214,272,356
K	The difference represents four shipments loaded in December 2011 with due date in 2012 and delay penalty of US\$516,531.	211,719,135	-	211,719,135
L	The difference is due to rounding of barrel prices by the buyer.	-	(157,475)	(157,475)
M	The difference represents one shipment loaded in December 2011 with due date in 2012.	60,333,613	-	60,333,613
N	The difference represents one shipment related to 2011 contract and loaded in January 2012.	-	(8,833,907)	(8,833,907)
O	The difference represents two shipments related to 2010 contracts loaded in January 2011 and one shipment loaded in December 2011 with due date in 2012.	39,694,898	(99,477,210)	115,583,624
	The difference represents four shipments that were received by the buyer under the Service Contracts.	175,365,936	-	
Q	The difference is due to the rounding of barrel prices by the buyer.	-	(1,609,789)	(1,609,789)
SD	This amount represents the total of two immaterial differences amounting to US\$14 related to TOTAL and US\$600 related to ERG RAFFINERIE	614	-	614
R	This amount, although immaterial, represents the total summation of noted differences in the value of shipments of the company. No differences were noted in reported quantities. Further information is still pending from the company as of the date of this report.	17,255,009	-	17,255,009
	Total	2,665,859,865	(1,490,541,142)	1,175,318,723

5. Reconciliation of Reported Data (continued)

5.7 Signature Bonuses payments in calendar year 2011

As per the PCLD records there were no licensing rounds during 2011. In addition, there were no signature bonuses payments made during 2011 related to previous licensing rounds.

5. Reconciliation of Reported Data (continued)

5.8 Internal Service payments reconciliation between Ministry of Oil and North Oil Company in calendar year 2011

Month	Amounts/NOC US\$*	Amounts/MoO US\$*	Difference US\$
January	17,094,017	17,094,017	-
February	18,803,419	18,803,419	-
March	17,521,368	17,521,368	-
April	12,820,513	12,820,513	-
May	13,675,214	13,675,214	-
June	16,239,316	16,239,316	-
July	13,247,863	13,247,863	-
August	15,384,615	15,384,615	-
September	8,119,658	8,119,658	-
October	14,957,265	14,957,265	-
November	18,803,419	18,803,419	-
December**	-	-	-
Total	166,666,667	166,666,667	-

* The figures presented in this table were provided in IQD and converted to US\$ using 1US\$ = 1170 IQD as an exchange rate.

** No payments were made in December 2011

5. Reconciliation of Reported Data (continued)

5.9 Internal Service payments reconciliation between Ministry of Oil and Missan Oil Company in calendar year 2011

Month	Amounts/MOC US\$*	Amounts/MoO US\$*	Difference US\$
January	6,415,471	14,962,479	(8,547,008)**
February	5,128,205	5,128,205	-
March	5,555,556	5,555,556	-
April	5,555,556	5,555,556	-
May	5,555,556	5,555,556	-
June	5,555,556	5,555,556	-
July	5,726,496	5,726,496	-
August	4,273,504	4,273,504	-
September	5,555,556	5,555,556	-
October	5,555,556	5,555,556	-
November	4,700,855	4,700,855	-
December***	-	-	-
Total	59,577,867	68,124,875	(8,547,008)

* The figures presented in this table were provided in IQD and converted to US\$ using 1US\$ = 1170 IQD as an exchange rate.

** The difference represents payments related to the month of December 2010 which was paid to MOC in January 2011

*** No payments were made in December 2011

5. Reconciliation of Reported Data (continued)

5.10 Internal Service payments reconciliation between Ministry of Oil and South Oil Company in calendar year 2011

Month	Amounts/SOC US\$*	Amounts/MoO US\$*	Difference US\$
January	85,470,085	85,470,085	-
February	8,547,009	8,547,009	-
March	88,888,889	88,888,889	-
April	12,820,513	12,820,513	-
May	170,940,171	170,940,171	-
June	76,923,077	76,923,077	-
July	90,598,291	90,598,291	-
August	91,452,991	91,452,991	-
September	56,410,256	56,410,256	-
October	136,752,137	136,752,137	-
November	128,205,128	128,205,128	-
December	82,905,983	-	82,905,983**
Total	1,029,914,530	947,008,547	82,905,983

* The figures presented in this table were provided in IQD and converted to US\$ using 1US\$ = 1170 IQD as an exchange rate.

** The difference represents payments related to the month of December 2011 that were paid to SOC in January 2012.

5. Reconciliation of Reported Data (continued)

5.11 Internal Service payments reconciliation between Ministry of Oil and Midland Oil Company in calendar year 2011

Midland Oil Company			
Month	Amounts/MdOC US\$*	Amounts/MoO US\$*	Difference US\$
January	-	-	-
February	-	-	-
March	-	-	-
April	-	-	-
May	-	-	-
June	-	-	-
July	-	-	-
August	-	-	-
September	-	-	-
October**	13,675,214	13,675,214	-
November	5,982,906	5,982,906	-
December	-	-	-
Total	19,658,120	19,658,120	-

* The figures presented in this table were provided in IQD and converted to US\$ using 1US\$ = 1170 IQD as an exchange rate.

** Payments were only made during October and November.

5. Reconciliation of Reported Data (continued)

5.12.1 Reconciliation of Crude Oil quantities supplied to the Refineries. Reconciliation performed between South Oil Company, Ministry of Oil and South Refineries for year 2011.

Crude Oil (Barrels)			
Quantities/SR	Quantities/SOC	Quantities/MoO	Difference
53,104,523	53,104,523	53,104,523	-

5.12.2 Reconciliation of Crude Oil quantities supplied to the Refineries. Reconciliation performed between South Oil Company, Ministry of Oil and Midland Refineries for year 2011.

Crude Oil (Barrels)			
Quantities/MdR	Quantities/SOC	Quantities/MoO	Difference
31,322,643	31,322,643	31,322,643	-

5.12.3 Reconciliation of Crude Oil quantities supplied to the Refineries between Missan Oil Company, Ministry of Oil and South Refineries for year 2011.

Crude Oil (Barrels)			
Quantities/SR	Quantities/MOC	Quantities/MoO	Difference
4,114,683	4,114,683	4,114,683	-

5. Reconciliation of Reported Data (continued)

5.12.4 Reconciliation of Crude Oil quantities supplied to the Refineries. Reconciliation performed between Midland Oil Company, Ministry of Oil and Midland Refineries for year 2011.

Crude Oil (Barrels)			
Quantities/MdR	Quantities/MdOC	Quantities/MoO	Difference
14,280,840	14,280,840	14,280,840	-

5.12.5 Reconciliation of Crude Oil quantities supplied to the Refineries. Reconciliation performed between North Oil Company, Ministry of Oil and North Refineries for year 2011.

Crude Oil / Barrels			
Quantities/NR	Quantities/NOC	Quantities/MoO	Difference
103,005,456	103,005,456	103,005,456	-

5. Reconciliation of Reported Data (continued)

5.13.1 Reconciliation of Natural Gas quantities supplied to Gas Companies. Reconciliation performed between North Oil Company, Ministry of Oil and North Gas Company for year 2011.

Natural Gas (m ³)			
Quantities/NGC	Quantities/NOC	Quantities/MoO	Difference
3,715,070,822	3,715,070,822	3,712,100,000	(2,970,822)*

* This difference is below the 1% materiality threshold and this was attributed to inaccuracy of metering devices.

5.13.2 Reconciliation of Natural Gas quantities supplied to Gas Companies between South Oil Company, Ministry of Oil and South Gas Company for year 2011.

Natural Gas (m ³)			
Quantities/SGC	Quantities/SOC	Quantities/MoO	Difference*
3,725,420,900	3,725,420,900	3,725,420,900	-

5. Reconciliation of Reported Data (continued)

5.14 Reconciliation of natural gas quantities supplied to Ministry of Industry and Minerals Companies that consumed natural gas. Reconciliation performed between Ministry of Industry and Minerals and the Ministry's Companies for year 2011.

Natural Gas (Million cubic feet)				
No.	Company Name	Quantities/ MIM	Quantities/ companies	Difference
1	The State Company of Fertilizers South Region	15,066.344	15,066.344	-
2	State Co. for Fertilizers North Area	9,546.72	9,546.72	-
3	State Company for Petrochemical Ind.	7,142.89	7,142.89	-

5. Reconciliation of Reported Data (continued)

5.15 Reconciliation of cost recovery between Ministry of Oil and International Oil Companies for year 2011*

Company Name	Oil Field	Cost Recovery /MoO US\$	Cost Recovery / Providers US\$	Difference US\$
BP Petro China	Rumaila	2,211,726,460	1,746,200,000	465,526,460
MoO figure includes cost recovery for both years 2010 & 2011 while the figure reported by the providers is for year 2011 only. MoO was not able to divide this figure to correspond to each year alone. The figure would equal US\$2,253,900,000 if the cost recovery is combined for both years per provider information. The difference of around US\$42.2million represents US\$0.2 million unpaid de-mining cost, US\$0.8 million being SOC overhead share and US\$41.2 million representing the value of invoice recorded by the provider but not recorded by MoO.				

Company Name	Oil Field	Cost Recovery /MoO US\$	Cost Recovery / Providers US\$	Difference US\$
ExxonMobil Shell	West Qurna (Phase1)	904,973,126	914,911,000	(9,937,874)
The difference represents disputed amount of US\$6,238,292 and unpaid de-mining cost of \$3,699,582.				

Company Name	Oil Field	Cost Recovery /MoO US\$	Cost Recovery / Providers US\$	Difference US\$
ENI Occidental KOGAS	Zubair	879,491,169	655,482,180	224,008,989
The difference is attributed to the following: 1- MoO data includes cost recovery for years 2010 and 2011 while provider data includes cost recovery for 2011 only 2- Operator submitting invoice less than the amount due				

Company Name	Oil Field	Cost Recovery /MoO US\$	Cost Recovery / Providers US\$	Difference US\$
AL WAHA PETROLEUM CO.LTD.	Ahadab	264,524,062	264,524,062	-

Total		4,260,714,817	3,581,117,242	679,597,575
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* Reconciliation was performed based on oil field information provided by the Ministry of Oil and the audited financial statements of oil fields.

5. Reconciliation of Reported Data (continued)

5.16 Reconciliation of remuneration fees between Ministry of Oil and International Oil Companies for year 2011*.

Company Name	Field	Remuneration Fees/MoO US\$	Remuneration Fees/Providers US\$	Differences US\$	Notes
BP	Rumaila	102,345,550	154,200,000	(51,854,450)	The differences in Remuneration Fees are related to differences in production measurement between SOC and contractor in year 2011, a settlement was made in year 2012
PetroChina	West Qurna (Phase1)	46,886,326	48,400,000	(1,513,674)	
ExxonMobil					
Shell	Zubair	83,333,486	63,574,148	19,759,338	
Eni					
Occidental					
KOGAS	Ahadab	46,374,204	46,374,204	-	
AL WAHA PETROLEUM CO.LTD.					
Total		278,939,566	312,548,352	(33,608,786)	

* Reconciliation was performed based on oil field information provided by the Ministry of Oil and the audited financial statements of oil fields.

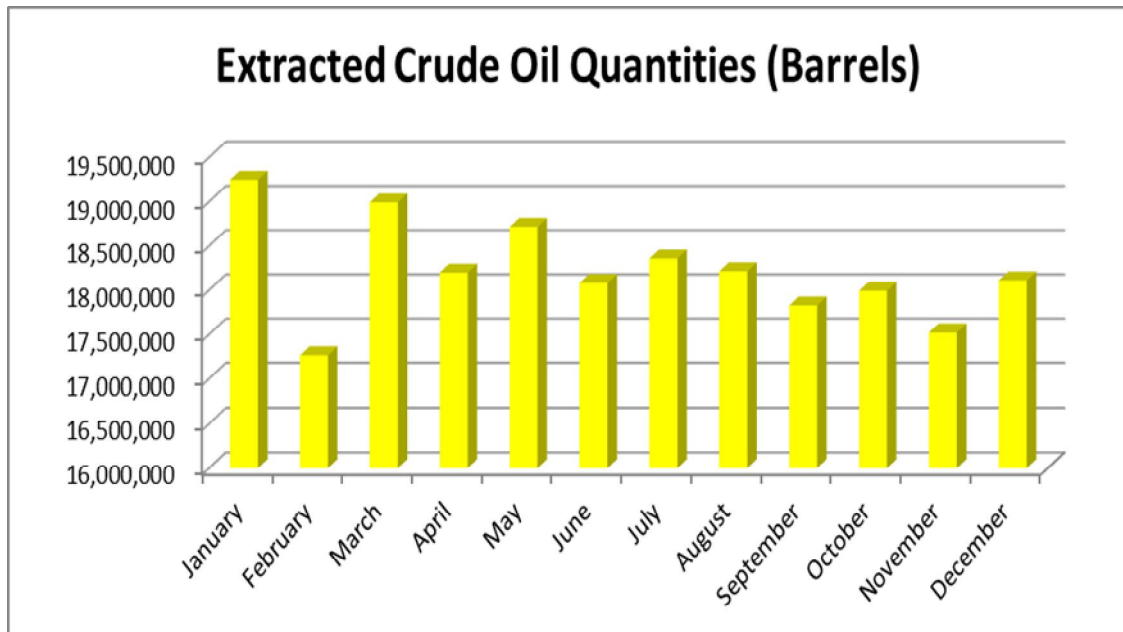
5. Reconciliation of Reported Data (continued)

5.17 Extracted crude oil quantities reconciliation between Ministry of Oil and North Oil Company

Month	NOC (Barrels)	MoO (Barrels)	Variances (Barrels)
January	19,246,756	19,246,756	-
February	17,262,830	17,262,830	-
March	18,992,609	18,992,609	-
April	18,199,145	18,199,145	-
May	18,715,642	18,715,642	-
June	18,079,947	18,079,947	-
July	18,357,154	18,357,154	-
August	18,213,886	18,213,886	-
September	17,825,459	17,825,459	-
October	17,991,885	17,991,885	-
November	17,520,365	17,520,365	-
December	18,110,806	18,110,806	-
Total	218,716,095	218,516,484	199,611

5. Reconciliation of Reported Data (continued)

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



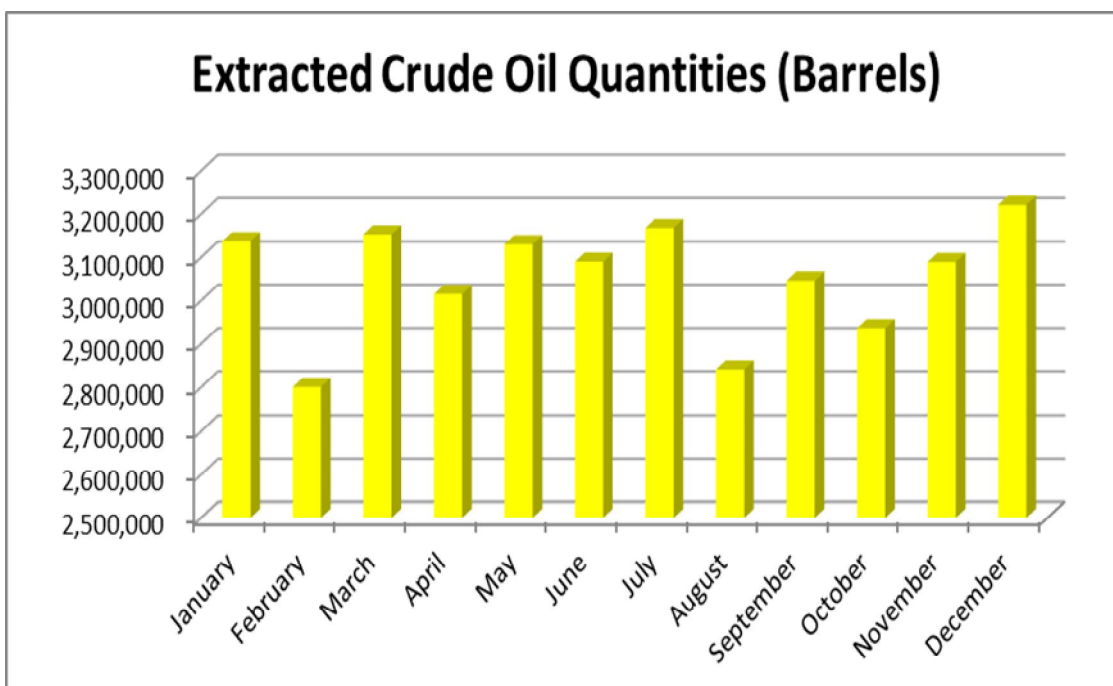
5. Reconciliation of Reported Data (continued)

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

Month	MOC (Barrels)	MoO (Barrels)	Variances (Barrels)
January	3,137,557	3,137,557	-
February	2,800,461	2,800,461	-
March	3,153,272	3,153,272	-
April	3,014,874	3,014,874	-
May	3,130,059	3,130,059	-
June	3,089,600	3,089,600	-
July	3,168,098	3,168,098	-
August	2,841,075	2,841,075	-
September	3,046,365	3,046,365	-
October	2,936,495	2,936,495	-
November	3,089,187	3,089,187	-
December	3,220,937	3,220,937	-
Total	36,627,980	36,627,980	-

5. Reconciliation of Reported Data (continued)

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



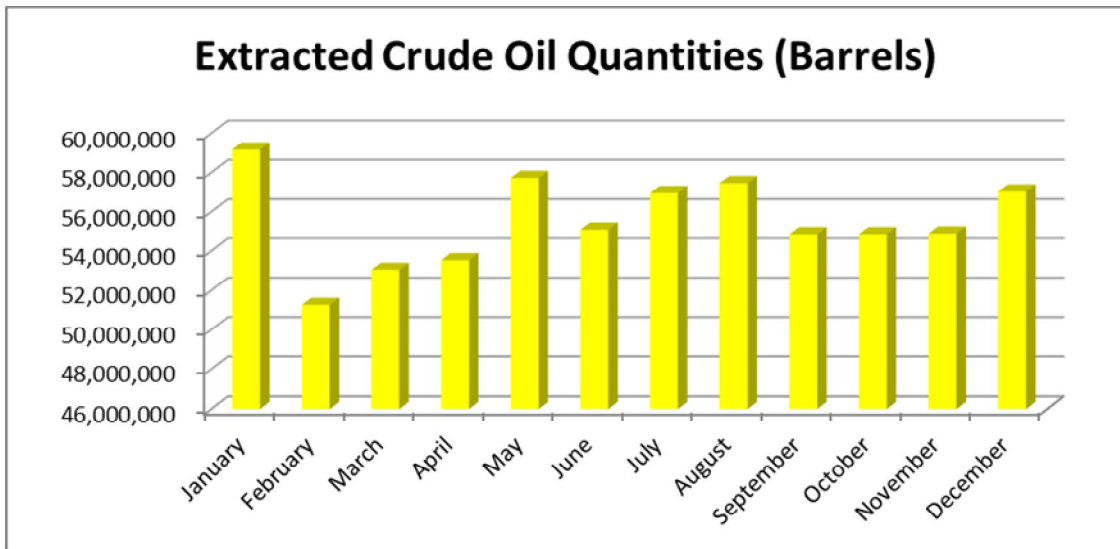
5. Reconciliation of Reported Data (continued)

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

Month	SOC (Barrels)	MoO (Barrels)	Variances (Barrels)
January	59,166,144	59,166,144	-
February	51,258,222	51,258,222	-
March	53,044,256	53,044,256	-
April	53,534,308	53,534,308	-
May	57,721,765	57,721,765	-
June	55,098,169	55,098,169	-
July	56,943,785	56,943,785	-
August	57,459,635	57,459,635	-
September	54,858,055	54,858,055	-
October	54,869,471	54,869,471	-
November	54,899,133	54,899,133	-
December	57,030,341	57,030,341	-
Total	665,883,284	665,883,284	-

5. Reconciliation of Reported Data (continued)

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



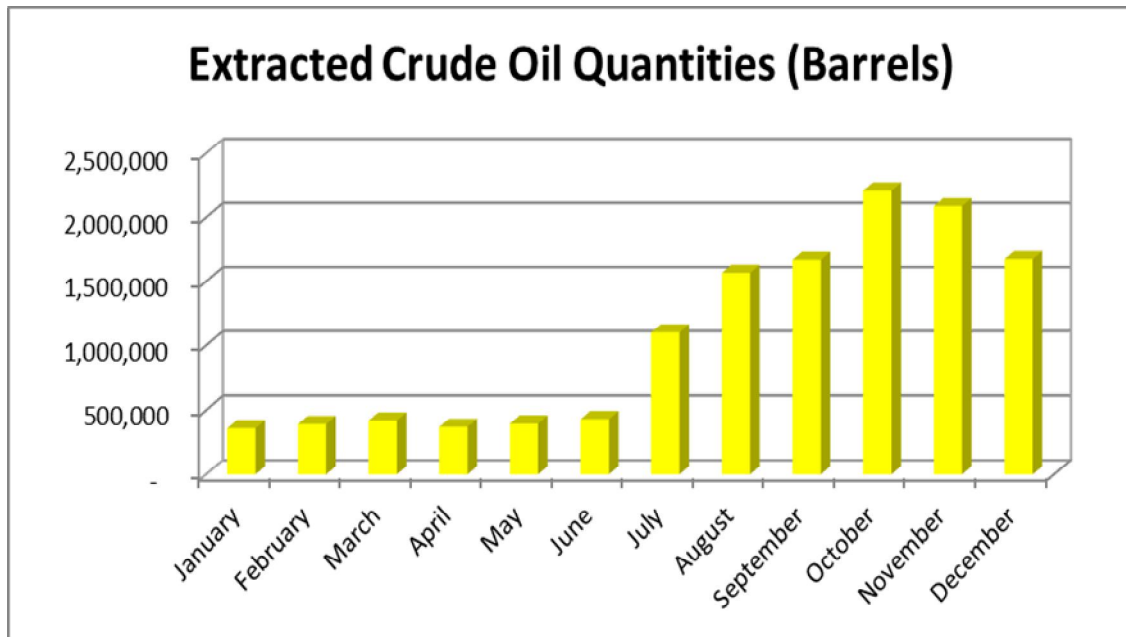
5. Reconciliation of Reported Data (continued)

5.20 Extracted crude oil quantities reconciliation between Ministry of Oil and Midland Oil Company (in barrels)

Month	MdOC (Barrels)	MoO (Barrels)	Variances (Barrels)
January	360,189	360,189	-
February	392,795	392,795	-
March	420,157	420,157	-
April	370,626	370,626	-
May	396,537	396,537	-
June	430,782	430,782	-
July	1,101,568	1,101,568	-
August	1,567,436	1,567,436	-
September	1,668,466	1,668,466	-
October	2,209,080	2,209,080	-
November	2,087,659	2,087,659	-
December	1,673,867	1,673,867	-
Total	12,679,162	12,679,162	-

5. Reconciliation of Reported Data (continued)

5.20 Extracted crude oil quantities reconciliation between Ministry of Oil and Midland Oil Company (in barrels)



5. Reconciliation of Reported Data (continued)

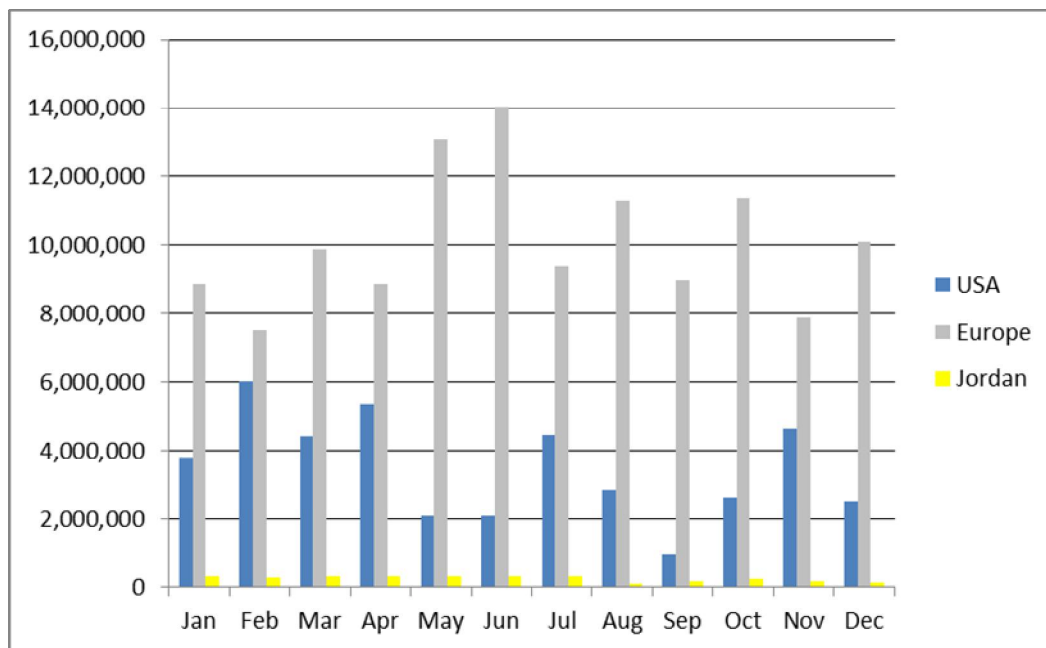
5.21 Monthly export quantities and average price of exported crude oil for the year 2011 with regard to the American, European and Asian Markets, and the quantity exported through Ceyhan Port & Seniya Depot by SOMO

Month	Ceyhan Port and Seniya Depot (Barrel)				Monthly Average Price in (US\$)			
	USA	Europe	Far East	Jordan	USA	Europe	Far East	Jordan
January	3,814,659	8,863,067	-	309848.82	89.25	94.41	-	78.54
February	6,031,505	7,520,758	-	279989.64	95.94	102.16	-	85.76
March	4,419,903	9,903,037	-	309781.83	108.12	111.26	-	96.60
April	5,389,028	8,851,321	-	299851.63	114.66	119.24	-	105.49
May	2,092,750	13,101,617	-	309941.63	106.63	108.74	-	96.55
June	2,086,222	14,032,761	-	299875.66	105.28	105.84	-	96.04
July	4,455,153	9,384,761	-	309819.47	109.07	112.55	-	98.88
August	2,876,932	11,308,087	-	101510.17	106.10	105.76	-	92.37
September	959,536	8,970,675	-	153311.65	108.01	108.04	-	95.12
October	2,640,873	11,372,653	-	234515.89	106.70	106.54	-	91.43
November	4,649,704	7,882,807	-	166062.19	105.38	106.70	-	92.66
December	2,521,986	10,117,130	-	132947.29	104.02	104.69	-	89.83
Total	41,938,251	121,308,674	-	2,907,456				

5. Reconciliation of Reported Data (continued)

5.21 Monthly export quantities and average price of exported crude oil for the year 2011 with regard to the American, European and Asian Markets and the quantity exported through Ceyhan Port & Seniya Depot by SOMO

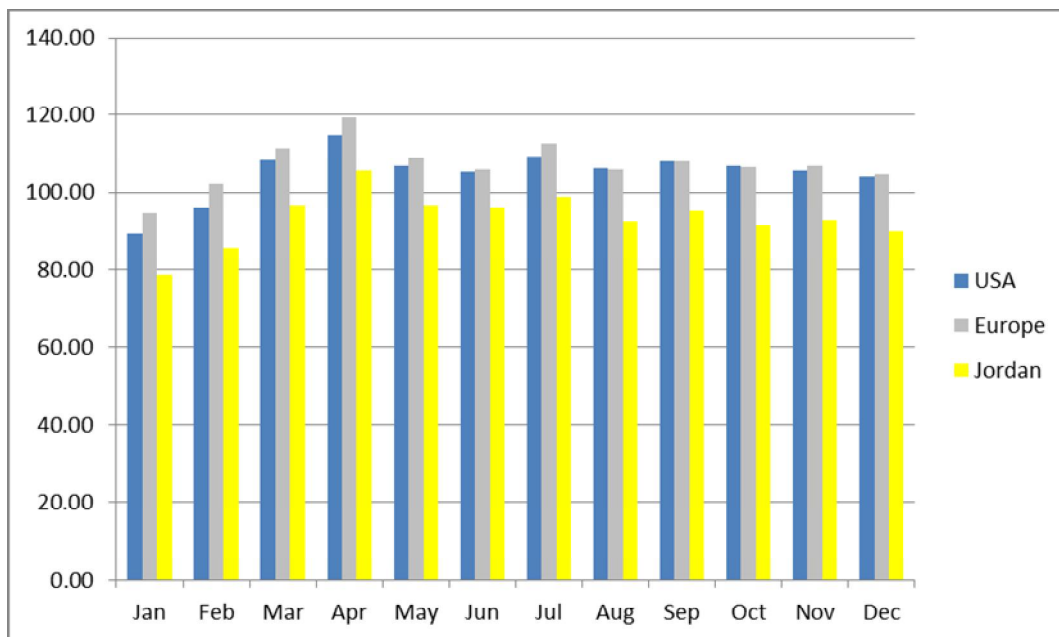
Quantity exported through Ceyhan Port & Seniya Depot in barrels/month



5. Reconciliation of Reported Data (continued)

5.21 Monthly export quantities and average price of exported crude oil for the year 2011 with regard to the American, European and Asian Markets and the quantity exported through Ceyhan Port & Seniya Depot by SOMO

Monthly export price average (US\$)



5. Reconciliation of Reported Data (continued)

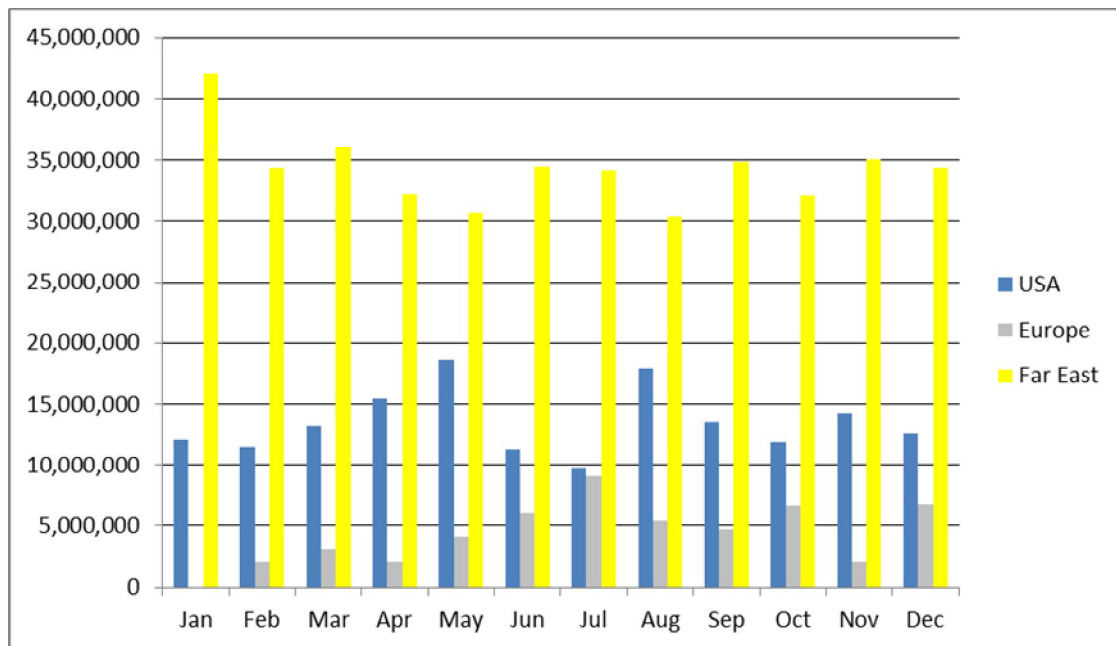
5.22 Monthly export quantities and average price for exported crude oil for the year 2011 with regard to the American, European and Asian Markets and the quantity exported through Basrah and Khor Al-Amaya ports by SOMO

Month	Basrah Port and Khor Al-Amaya Port (Barrels)				Monthly average price in (US\$)			
	USA	Europe	Far East	Jordan	USA	Europe	Far East	Jordan
January	12,059,645	-	41,991,749	-	87.75	-	90.76	-
February	11,453,397	1,984,346	34,387,588	-	96.48	107.86	98.16	-
March	13,175,737	3,075,169	36,035,574	-	102.94	116.84	106.62	-
April	15,454,171	2,043,308	32,179,104	-	111.56	117.33	113.67	-
May	18,658,721	4,096,266	30,723,722	-	110.06	108.08	108.05	-
June	11,230,903	6,045,526	34,487,573	-	104.12	101.00	106.31	-
July	9,776,099	9,053,198	34,184,231	-	105.86	109.19	108.50	-
August	17,889,416	5,339,155	30,340,299	-	104.87	107.15	104.18	-
September	13,542,329	4,641,884	34,830,238	-	105.66	102.49	103.90	-
October	11,847,052	6,636,082	32,065,782	-	104.01	105.57	102.85	-
November	14,254,545	1,997,816	35,099,181	-	104.95	102.49	108.45	-
December	12,580,284	6,795,873	34,359,152	-	104.31	105.15	107.66	-
Total	161,922,299	51,708,623	410,684,193	-				

5. Reconciliation of Reported Data (continued)

5.22 Monthly export quantities and average price for exported crude oil for the year 2011 with regard to the American, European and Asian Markets and the quantity exported through Basrah and Khor Al-Amaya ports by SOMO

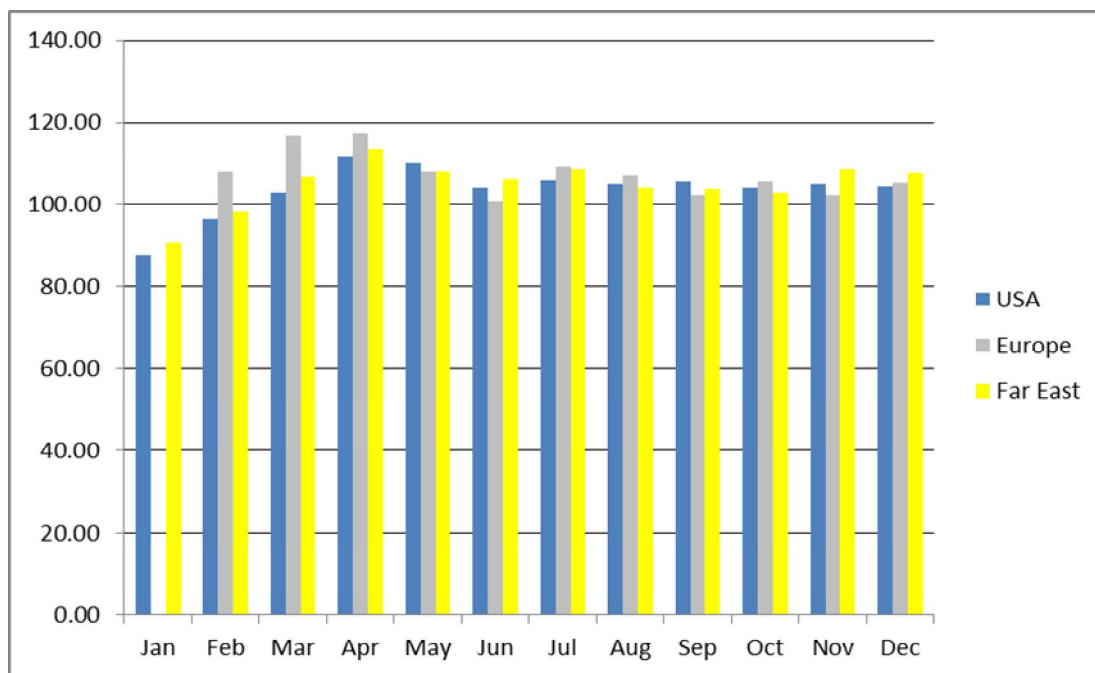
Quantity exported through Basrah & Khor Al-Amaya Ports in barrels/month



5. Reconciliation of Reported Data (continued)

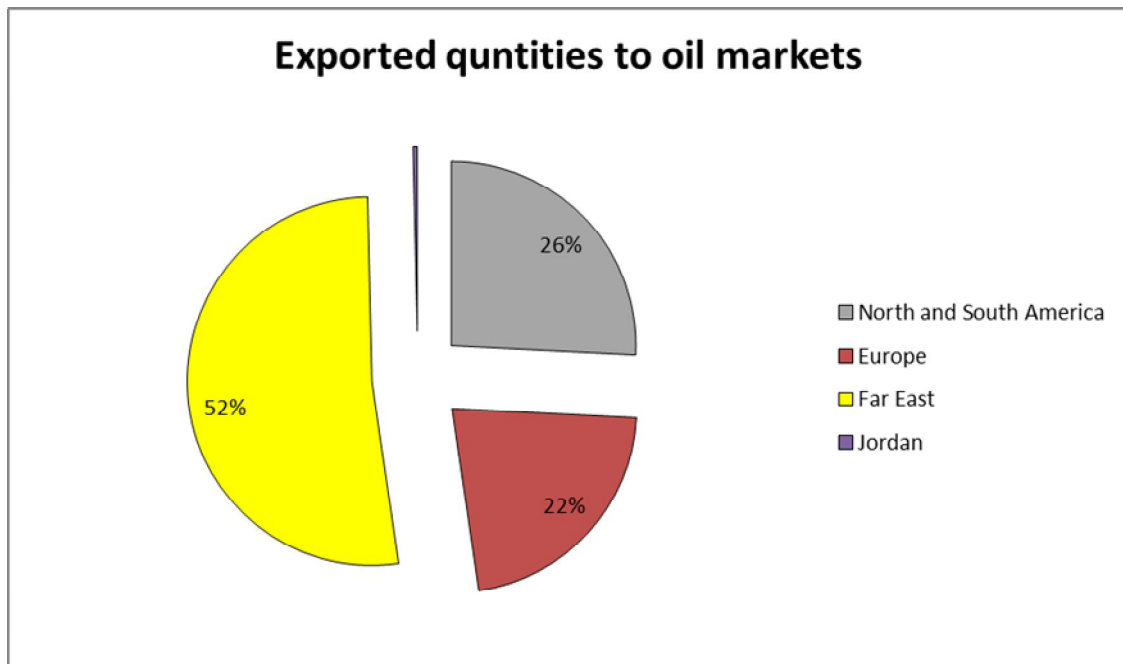
5.22 Monthly export quantities and average price for exported crude oil for the year 2011 with regard to the American, European and Asian Markets and the quantity exported through Basrah and Khor Al-Amaya ports by SOMO

Monthly export price average (US\$)



5. Reconciliation of Reported Data (continued)

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





Iraqi Extractive Industries Transparency Initiative (IEITI)

Mining Industry in Iraq

6. Mining Industry in Iraq

This chapter was prepared by the Iraqi Ministry of Industry and Minerals

6.1 Mining Industry in Iraq

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

6.1.1 The future outlook of key minerals and commodities in Iraq including proven probable and possible oil, gas and mineral reserves

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

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

6.1.2 Iraq's current infrastructure

The mining infrastructure, currently existing in Iraq, can be summarized as follows:

- Availability of a solid North/South network of oil and gas pipelines, particularly towards the export marine terminal through the Gulf and Turkey
- Availability of a network that links roads between Iraq's major cities and governorates (Baghdad - Mosul - Basrah), and several others between different provinces
- A rail network that links most cities and towns with mineral resources and raw materials locations

6. Mining Industries in Iraq (continued)

- Most provinces and major cities are linked with export terminals
- The presence of many civil airports (for example: in Baghdad, Basra, Sulaymaniyah, Erbil and Najaf)
- The presence of export ports in the Arabian Gulf
- Availability of mobile and landline telephone networks linking all major cities and provinces in Iraq
- Availability of water resources through the Tigris and Euphrates rivers that cross the country and through the Arabian Gulf
- Availability of a national electrical power network throughout the country (although this is currently not sufficient to meet current and expected demand growth)
- Iraq intends to set up projects to generate more electrical power in all provinces in the country, in order to meet Iraq's current and future needs
- Availability of geographical maps of all the sedimentary basins identified in Iraq during the last century and their possible usages
- Availability of local expertise and capacity building infrastructure to meet its expected demand growth

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

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

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

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

6. Mining Industries in Iraq (continued)

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

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

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

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

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

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

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

6. Mining Industries in Iraq (continued)

Rehabilitation of Existing SOEs

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

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

6.1.5 Iraq's economic reforms and their implications on the oil, gas and mining sectors

After approving the Metal Investment Law No. 91 for the year 1998 (and its amendments), which has not been fully implemented as of yet, the Council of Ministers Resolution No. 314 for the year 2010 has established a roadmap for restructuring and reforming state-owned companies. This roadmap permits a high level of flexibility with regard to overcoming obstacles that companies face with the implementation of the restructuring process. This includes the provision of the "single window" through which the public and private interested bidders are informed of the entry conditions such as: technical and financial capability, proposed rehabilitation or development requirements, explore their abilities and direct them towards business development and investment activities.

6. Mining Industries in Iraq (continued)

6.1.6 Investment opportunities in the Mining Mineral Industries in Iraq

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

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

6. Mining Industries in Iraq (continued)

6.1.7 Summary of Iraq's main mineral resources

Mineral deposit	Formation	Geographical location	Recorded reserve	Uses
Free Sulfur	Fatha (Middle Miocene)	Mishraq / Nineveh Governorate	About 600 m.t 60% is extractable	Phosphatic fertilizers and chemical industries
Phosphorite 20-25% P ₂ O ₅	Akashat Formation (Paleocene)	Akashat /Anbar Governorate	More than 100000 m.t	Phosphatic fertilizers industry
Sodiumchloride (salt)	Dhiban and AL-Fatha (Miocene) formations & Quaternary deposits	Nineveh, Muthana & Anbar Governorates	More than 50 m.t	Nourishments, textile & leather industries
Glass sand	Ga'ara formation (Permo - Carboniferous) AL-Hussainuyat formation (Jurassic), Nahr Umr formation and AL-Rutba formation (Cretaceous)	Western Desert / Anbar Governorate	More than 75 m.t	Glass industry, ceramic, refractories & foundry
Quartzite	Nahr Umr formation Rutba formation (Cretaceous)	Western Desert / Anbar Governorate	More than 16 m.t	Silicon industries & acid lining of furnaces
Feldspar bearing sand	Dibdibba formation (Pliocene)	Al-Najaf Governorate	More than 00 m.t	Ceramic industries & filters
Heavy minerals, sand, zircon, rutile & monazite	Ga'ara formation (Permo - Carboniferous) AL-Amij formation (Jurassic)	Western Desert / Anbar Governorate	-	Jewelry manufacture rutile / source for titanium zircon / source for zirconium monazite / source for thorium
Glaubente ore	Quaternary deposits	Al-Shary Lake / Samarra Salah Al-Deen Governorate	22 m.t	Sodium sulphate used for the production of detergents & glass industry
Limestone	Many geological formations	Nineveh, Anbar, Al-Najaf & Al-Muthana Governorate	More than 8000 m.t	The industry of cement, lime, glass, ceramic, construction, paint & marble substitutes
Dolomite	Many geological formations	Anbar & Al-Muthana Governorates	330 m.t	Production of magnesia, magnetite brick, glass industry, ceramics, iron, steel & construction

6. Mining Industries in Iraq (continued)

6.1.7 Summary of Iraq's main mineral resources

Mineral deposit	Formation	Geographical location	Recorded reserve	Uses
Gypsum	Fatha formation (Miocene)	Nineveh , Salah Al-Deen, Anbar & Wasit Governorates	More than 130 m.t	Plaster industry for decoration & cement industry
Sand and gravel	Dibdibba formation (Pliocene) & Quaternary deposit (Pleistocene)	Al-Najaf Alashraf & Holy Kerbala, Salah Al-Deen, & Basrah Governorates	Very big strategic reserves	For construction & filters
Recent clays	Recent deposits	Governorates located in the Mesopotamian	2858 m.t in brick industry & 450 m.m3 for cement industry	Brick & cement industries
Old formation clays	AL-Fatha formation (Middle Miocene) Injana formation (Late Miocene)	Nineveh, Salah Addin, Kirkuk & Diyala Governorates	Very big reserves	Brick industry
Kaolin clays	Ga'ara formation (Permo - carboniferous) AL-Hussainuyat and Amij formations (Jurassic)	Western desert Anbar Governorate	1200 m.t	Cement, refractories, white cement and historical bricks
Flint Clay	Karst Deposits north of AL-Hussainuyat (Early Cretaceous)	Western desert Anbar Governorate	10 m.t	White cement & refractories
Bentonite clays	Digma formation (Late Cretaceous) Akashat formation (Pliocene)	Western desert Anbar Governorate	22 m.t	Drilling mud for oil wells & concrete pillars, animal fodder preparation, vegetable oils bleaching, paraffin, foundry molding works
Attapulgitic clays	Digma formation (Late Cretaceous) Akashat (Pliocene) Injana (Late Miocene)	Western desert Anbar Governorate & Nineveh Governorate	0.5 m.t	Salty drilling muds, color bleaching for wax & vegetable oils
Celestite (Strontium sulphate)	Injana formation (Late Miocene) Dibdibba formation (Paleocene)	AL-Najaf Alashraf & Holy Kerbala Governorate	0.8 m.t	Raw material for sugar extraction

6. Mining Industries in Iraq (continued)

6.1.7 Summary of Iraq's main mineral resources

Mineral deposit	Formation	Geographical location	Recorded reserve	Uses
Porcellanite Siliceous rocks of low density less than 1 gm/cm ³	Digma formation (Late Cretaceous) Akashat formation (Pliocene)	Western desert / Anbar Governorate	1.8 m.t	Vegetable oils purification, nourishments, sulfur & light concrete
Bauxite (Aluminum ore)	Karst Deposits Reserved in carbonate rocks belong to the Jurassic Period	Western desert / Anbar Governorate	1 m.t	Refractory industry & alum production
Sedimentary iron	Ga'ara formation (Permian) AL-Hussainuyat formations (Jurassic)	Western desert / Anbar Governorate	60 m.t	Resistant cement

6.1.8 Programs for geological mapping and mineral exploration in Iraq

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

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

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

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

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

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

6. Mining Industries in Iraq (continued)

6.1.9 Industries/products related to mining minerals

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



Iraqi Extractive Industries Transparency Initiative (IEITI)

SOMO Market Research

7. SOMO Market Research

This chapter was prepared by SOMO

7.1 SOMO's strategy on marketing growth

SOMO's marketing strategy holds both medium and long term goals that could be summarize as follows:

1. Marketing of crude oil in light of the expected increase in production as a result of producing crude oil from new fields thus increasing the volume of exports
2. Achieving marketing flexibility in light of the quality of crude oil that expected to be produced by taking into consideration the new oil policies and it's connection with the environmental aspects for oil with high Sulphate contents
3. Achieving the highest economical return from marketing activities by taking into consideration the economical return from exported quantities to different oil markets and through the adoption of pricing mechanism that is compatible with market variances

7.2 Iraqi Oil Markets 2011

United States Market:

Oil prices in US market has fluctuated during November to record a decrease for WTI prices of 2.87 US\$/ barrel during the month with amount of US\$84.14/ barrel compared with October prices of US\$87.01/ barrel. ASCI prices has decreased during the same period by US\$5.33/ barrel recording a barrel price of US\$106.35 in November as compared to US\$111.68 US\$/ barrel in October. This is attributed to the fact that exchange rate of the US\$ has increased against the EURO.

Europe Market:

Europe market has witnessed a fluctuation in crude oil prices during October. As the prices for Brent Dated crude oil has increased by US\$3.48/ barrel with price of US\$107.85/ barrel by end of November as compared to US\$104.37/ barrel at the beginning of same month. In addition, Urals (Russian Crude Oil) prices has increased by US\$4.69/ barrel in Mediterranean (Med) Market and around US\$6.52/ barrel in North West Europe (NWE) Market in the same month. The increase in prices is due to the decrease of price differences between light crude oils such as "Brent Dated Strip" and medium crude oil such as Urals in Med and NWE markets by US\$0.76/ barrel and US\$0.84/ barrel respectively in favor of medium crude oils.

Asian Markets:

Dubai and Oman crude oil prices have decreased during October. As the average prices during September was US\$106.48/ barrel decreasing to US\$104.36/ barrel in October with price differences of US\$2.12/ barrel. The decrease is attributed to the continuous decrease of oil produced by those two countries during the second half of October.

7. SOMO Market Research (continued)

7.3 Historic and forecasted data

The tables below displays the data pertaining to production, consumption, export, and reserve of Iraqi oil markets:

Crude Oil (Thousand barrel/day)			
Year	Produced	Internal consuming (Electricity and refineries)	Export
2007	2,036	381	1,643
2008	2,280	484	1,849
2009	2,336	514	1,906
2010	2,358	586	1,890
2011	2,558	628	2,166
2012	2,881	649	2,423
2013*	3,001	693	2,413

* The averages of 2013 are for nine months only.

Crude oil reserves:

- Total reserves of crude oil as at 31 December 2012 are estimated at 145,295 billion barrels
- Total reserves of natural gas as at 31 December 2012 are estimated at 130,538,000 billion cubic feet

Expected consuming of oil products/ m3/day			
Year	Gasoline	Gasoil	Kerosene
2014	22,250	26,750	7,550
2015	22,750	28,250	7,750
2016	23,000	29,800	8,000
2017	23,500	29,250	8,250

Expected produce of oil products/ m3/day			
Year	Gasoline	Gasoil	Kerosene
2014	16,000	24,500	7,500
2015	16,250	25,000	7,750
2016	16,500	25,000	8,000
2017	17,000	25,000	8,000



Iraqi Extractive Industries Transparency Initiative (IEITI)

Lessons learned from this reconciliation

8. Lessons learned from this reconciliation

Irrespective of how much efforts were exerted in the planning and execution of the tasks, there will always be room for improvement and lessons learned which could be summarized as follows:

8.1 Comprehensive reconciliation approach

It is recommended to adopt a comprehensive reconciliation approach without considering the comfort of the materiality threshold.

Recommendation:

Although the IEITI Stakeholder Council will agree with the reconciler on a defined materiality threshold, it is recommended to adopt a comprehensive reconciliation approach.

8.2 Reporting deadlines

The reconciliation process includes the tasks of data gathering, processing and validation which requires a considerable amount of time, effort and follow up. This is challenging taking into consideration the set tight deadlines.

Recommendation:

It is recommended that the IEITI Stakeholder Council engage the reconciler at an earlier time of the year in order to have more time to perform the reconciliation tasks.

8.3 Signatures

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

Recommendation:

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

8.4 Reporting templates

Buyers were requested to provide the information using the templates approved by the Stakeholder Council. It was noted that some of these entities did not use these templates.

Recommendation:

It is recommended that the Stakeholder Council and the different Iraqi entities involved with the reconciliation process be in close contact with the buyers and to emphasize the importance of using these templates.

8.5 Auditor's report

Buyers were requested to submit the auditor's report along with completed templates. Some companies failed to submit the audited reports along with the templates despite sending reminders in that regard

8. Lessons learned from this reconciliation (continued)

Due to the current regulatory context in Iraq and the structure of the oil and gas industry, national oil companies are audited by the Iraqi Board of Supreme Audit (BSA) based on local Iraqi accounting standards.

These Iraqi standards, when originally developed in the 1980's, were based on International Accounting Standards (IAS). However, these standards were not updated for over 20 years. Accordingly this will create a gap between national oil companies as compared to industry practice.

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

Recommendation:

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

8.6 Field work facilitation

The process of gathering data from the different Iraqi reporting entities requires extensive efforts. These efforts should be complemented by more extensive and direct involvement of the different members of the Stakeholder Council.

Recommendation:

It is recommended that Stakeholder Council members have more extensive and direct involvement, each in its respective group, for the facilitation of data gathering and commitment to deadlines.



Iraqi Extractive Industries Transparency Initiative (IEITI)

Appendix 1 - Reporting entities

Reporting entities

The following entities had been identified by the IEITI Stakeholder Council as the reporting entities for the third IEITI report:

Ministry of Finance
Ministry of Oil
Ministry of Electricity
Ministry of Industry and Minerals
National Mining Companies
North Oil Company
South Oil Company
Missan Oil Company
Midland Oil Company
Central Bank of Iraq
Oil Marketing Company (SOMO)
Midland Refineries Company
South Refineries Company
North Refineries Company
Electricity Directorates
North Gas Company
South Gas Company
International Crude Oil Buyers
International Oil Extracting Companies



Iraqi Extractive Industries Transparency Initiative (IEITI)

Appendix 2 - Instructions for completion of templates

Iraqi Extractive Industries Transparency Initiative (IEITI)

Instructions for completion of Templates

1. Timetable

Reporting Templates (submission) must be completed and submitted with the IEITI Reconcilers by no later than 15 September 2013.

2. Submission

Both hard and soft copies of the submission must be submitted by every company and Government Agency. Submissions should include supporting schedules/information including a breakdown of the amounts/quantities declared on each line of the template.

Hard copy submissions must be mailed to:

IEITI Reconcilers

Ernst & Young Jordan

300 King Abdullah Street, Amman

P.O Box 1140, Amman 11118, Jordan

AND

National Secretariat for IEITI

Ministry of Oil Complex, 3rd floor

Zayounah, Baghdad-Iraq

Soft copies must be emailed to:

eiti.iraq@jo.ey.com

3. Templates

Templates have been developed to account for the needs of the report and they are tailored and addressed to the different entities involved in the extractive industries in Iraq. Entities include Government Agencies, SOMO and buyers.

Templates were tailored to be self-explanatory for each of the reporting entities; however, some templates would require the reporting entity to disclose its name at the top of the template. This requires the entity to disclose its full name exactly as it appears in its articles of incorporation (please include any subsequent name changes if applicable in the same space provided).

A section was devised at the bottom of each template to disclose the name and contact details of the responsible person submitting the template including his/her authorized signature and stamp of the reporting entity.

The data returned to IEITI reconcilers will be used in developing the annual report on Iraq's revenue transparency.

4. Queries and Guidance regarding completion of templates

For any inquiries related to the completion and submission of these templates, you can contact Ernst & Young Jordan on the following email: eiti.iraq@jo.ey.com

Any inquiries will be addressed promptly and, where applicable, the same information will be addressed to other reporting entities.

Inquiries could be sent in either Arabic or English Languages.

Iraqi Extractive Industries Transparency Initiative (IEITI)

Instructions for completion of Templates (continued)

5. Transaction currency

Some templates requires the disclosure of transaction amounts in United States Dollars (US\$) and/or Iraqi Dinar (IQ). Amounts disclosed in IQ must be rounded to the nearest thousand. Please do not translate any transaction amount into the other currency as this pose a risk of different conversion rates being applied to the same transaction.

6. Basis of reporting

Unless otherwise stated in the template, all figures reported in the templates must be reported on a strict cash basis. Accordingly, transactions made prior to 1 January 2011 (for 2011 report) and 1 January 2012 (for 2012 report) or after 31 December 2011 (for 2011 report) and 31 December 2012 (for 2012 report) should be excluded. For clarification, the date of payment receipt is the date recorded on the receipt voucher/ supporting document.

7. Supporting schedules

Supporting schedules need to be prepared for all reported figures. It is preferable if these schedules are submitted with the templates as this will expedite the reconciliatory process.

Supporting schedules could be provided in any format developed by the reporting entity as long as its figures tally with the figures reported in the submitted templates. Supporting schedules could take the form of computer print outs or typed lists.

Government Agencies need to prepare supporting schedules detailing how each figure is compiled. These schedules need to be submitted with the reporting templates. Copies of receipts may subsequently be required to be submitted to the Reconciler, if discrepancies between the companies' templates and the Government's templates were identified.

8. Attestations

The signature of the person signing off the submitted templates signifies that the reported figures have been checked.

Auditor's report can be provided by the buyers, international oil field (extractive) companies, SOMO and the Governmental Agencies' external auditors (Board of Supreme Audit) or another "Bona Fide" registered auditor. The wording of the auditor's report as provided by the auditing entity should not be altered.

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

Instructions for completion of Templates (continued)

9. Accounting records

9.1 Companies

For companies, as noted above, amounts paid should be reported on cash basis of accounting. If the company normally prepares its accounting records based on accruals basis, i.e. the transaction is recognized at the time it is due rather than at the time it is paid, adjustments will have to be made to include amounts recorded in the accounting records up to 31 December 2011 but actually paid after this date in the template, and exclude amounts recorded up to 31 December 2010 which were paid after this date (for purposes of the third IEITI Report for the year 2011). The same would apply for reporting related to the year 2012. In summary, the accrual-based accounts must be converted to the cash basis.

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

9.2 Government Agencies

For Government Agencies, receipts are to be reported on cash basis. Care should be taken to ensure that amounts reported include all receipts during the financial year 2011 (for purposes of the third IEITI Report for the year 2011) and all receipts during the financial year 2012 (for purposes of the fourth IEITI Report for the year 2012), irrespective of whether the receipt was allocated in the Agencies records against amounts due in a previous or subsequent financial year, unless otherwise stated in the template.



Iraqi Extractive Industries Transparency Initiative (IEITI)

Appendix 3 - Reporting Templates

Iraqi Extractive Industries Transparency Initiative (IEITI)

Template #10 - Missan Oil Company

Missan Oil Company	
Reporting Form Under EITI Regulations	
Internal Service Revenue received by Missan Oil Company from the Government of Iraq in Calendar Year 2011	
Month	Amount IQD
January	
February	
March	
April	
May	
June	
July	
August	
September	
October	
November	
December	
Total	0
We confirm that the above information reflects the details of the internal service revenue received by Missan Oil Company during the calendar year 2011	
Name:	
Position:	
E-mail address:	
Location:	
Date:	
Authorized Signature:	
Stamp:	

Template #10 - North Oil Company

North Oil Company	
Reporting Form Under EITI Regulations	
Internal Service Revenue received by North Oil Company from the Government of Iraq in Calendar Year 2011	
Month	Amount IQD
January	
February	
March	
April	
May	
June	
July	
August	
September	
October	
November	
December	
Total	0
We confirm that the above information reflects the details of the internal service revenue received by the North Oil Company during the calendar year 2011	
Name:	
Position:	
E-mail address:	
Location:	
Date:	
Authorized Signature:	
Stamp:	

Iraqi Extractive Industries Transparency Initiative (IEITI)

Template # 10 - South Oil Company

South Oil Company	
Reporting Form Under EITI Regulations	
Internal Service Revenue received by South Oil Company from the Government of Iraq in Calendar Year 2011	
Month	Amount IQD
January	
February	
March	
April	
May	
June	
July	
August	
September	
October	
November	
December	
Total	0
We confirm that the above information reflects the details of the internal service revenue received by the South Oil Company during the calendar year 2011	
Name:	
Position:	
E-mail address:	
Location:	
Date:	
Authorized Signature:	
Stamp:	

Template # 11 - Ministry of Oil

Ministry of Oil				
Reporting Form Under EITI Regulations				
Internal Service Payments made to National Oil Companies by the Government of Iraq in Calendar Year 2011				
Month	North Oil Company	Missan Oil	South Oil Company	Mid Oil Company
	Amount IQD	Amount IQD	Amount IQD	Amount IQD
January				
February				
March				
April				
May				
June				
July				
August				
September				
October				
November				
December				
Total	0	0	0	0
We confirm that the above information reflects the details of the internal service payments made to National Oil Companies during the calendar year 2011				
Name:				
Position:				
E-mail address:				
Location:				
Date:				
Authorized Signature:				
Stamp:				

Iraqi Extractive Industries Transparency Initiative (IEITI)

Template #16,18 - Mid Oil Company

Mid Oil Company					
Reporting Form Under EITI Regulations					
Crude Oil Production in Calendar Year 2011					
(Quantities Reported in Barrels)					
Month	Beginning Balance	Crude Oil Produced	Crude Oil Exported	Internal Consumption	Ending Balance
January					
February					
March					
April					
May					
June					
July					
August					
September					
October					
November					
December					
Total Reported Crude Oil Quantities					
We confirm that the above information reflects the extracted oil, exported oil and internal oil consumption reported in accordance with regulations on reporting and reconciliation of oil in the Republic of Iraq					
Name:					
Position:					
E-mail address:					
Location:					
Date:					
Authorized Signature:					
Stamp:					

Template #16,18 - Missan Oil Company

Missan Oil Company					
Reporting Form Under EITI Regulations					
Crude Oil Production in Calendar Year 2011					
(Quantities Reported in Barrels)					
Month	Beginning Balance	Crude Oil Produced	Crude Oil Exported	Internal Consumption	Ending Balance
January					
February					
March					
April					
May					
June					
July					
August					
September					
October					
November					
December					
Total Reported Crude Oil Quantities					
We confirm that the above information reflects the extracted oil, exported oil and internal oil consumption reported in accordance with regulations on reporting and reconciliation of oil in the Republic of Iraq					
Name:					
Position:					
E-mail address:					
Location:					
Date:					
Authorized Signature:					
Stamp:					

Iraqi Extractive Industries Transparency Initiative (IEITI)

Template #16,18 - North Oil Company

North Oil Company					
Reporting Form Under EITI Regulations					
Crude Oil Production in Calendar Year 2011					
(Quantities Reported in Barrels)					
Month	Beginning Balance	Crude Oil Produced	Crude Oil Exported	Internal Consumption	Ending Balance
January					
February					
March					
April					
May					
June					
July					
August					
September					
October					
November					
December					
Total Reported Crude Oil Quantities					
We confirm that the above information reflects the extracted oil, exported oil and internal oil consumption reported in accordance with regulations on reporting and reconciliation of oil in the Republic of Iraq					
Name:					
Position:					
E-mail address:					
Location:					
Date:					
Authorized Signature:					
Stamp:					

Template #16,18 - South Oil Company

South Oil Company					
Reporting Form Under EITI Regulations					
Crude Oil Production in Calendar Year 2011					
(Quantities Reported in Barrels)					
Month	Beginning Balance	Crude Oil Produced	Crude Oil Exported	Internal Consumption	Ending Balance
January					
February					
March					
April					
May					
June					
July					
August					
September					
October					
November					
December					
Total Reported Crude Oil Quantities					
We confirm that the above information reflects the extracted oil, exported oil and internal oil consumption reported in accordance with regulations on reporting and reconciliation of oil in the Republic of Iraq					
Name:					
Position:					
E-mail address:					
Location:					
Date:					
Authorized Signature:					
Stamp:					

Iraqi Extractive Industries Transparency Initiative (IEITI)

Template #17 - Ministry of Natural Resources

Ministry of Natural Resources															
Reporting Form Under EITI Regulations															
Extracted and Exported Crude Oil in Calendar Year 2011															
(Quantities Reported in Barrels)															
Month / Reporting Items	Name of International Company (1)					Name of International Company (2)					Name of International Company (3)				
	Beginning Balance	Crude Oil Produced	Crude Oil Exported	Internal Consumption	Ending Balance	Beginning Balance	Crude Oil Produced	Crude Oil Exported	Internal Consumption	Ending Balance	Beginning Balance	Crude Oil Produced	Crude Oil Exported	Internal Consumption	Ending Balance
January															
February															
March															
April															
May															
June															
July															
August															
September															
October															
November															
December															
Total Reported Crude Oil Quantities															
We confirm that the above information reflects the extracted oil, exported oil and internal oil consumption reported in accordance with regulations on reporting and reconciliation of oil in the Republic of Iraq															
Name: _____															
Position: _____															
E-mail address: _____															
Location: _____															
Date: _____															
Authorized Signature: _____															
Stamp: _____															

Template #17 - Ministry of Oil

Ministry of Oil / Technical Directorate															
Reporting Form Under EITI Regulations															
Extracted and Exported Crude Oil in Calendar Year 2011															
(Quantities Reported in Barrels)															
Month / Reporting Items	Name of International Company (1)					Name of International Company (2)					Name of International Company (3)				
	Beginning Balance	Crude Oil Produced	Crude Oil Exported	Internal Consumption	Ending Balance	Beginning Balance	Crude Oil Produced	Crude Oil Exported	Internal Consumption	Ending Balance	Beginning Balance	Crude Oil Produced	Crude Oil Exported	Internal Consumption	Ending Balance
January															
February															
March															
April															
May															
June															
July															
August															
September															
October															
November															
December															
Total Reported Crude Oil Quantities															
We confirm that the above information reflects the extracted oil, exported oil and internal oil consumption reported in accordance with regulations on reporting and reconciliation of oil in the Republic of Iraq															
Name: _____															
Position: _____															
E-mail address: _____															
Location: _____															
Date: _____															
Authorized Signature: _____															
Stamp: _____															

Iraqi Extractive Industries Transparency Initiative (IEITI)

Ministry of Oil / Technical Directorate																				
Reporting Form Under EITI Regulations																				
Extracted and Exported Crude Oil in Calendar Year 2011																				
(Quantities Reported in Barrels)																				
Month/ Reporting Items	North Oil Company					Mid Oil Company					Missan Oil Company				South Oil Company					
	Beginning Balance	Crude Oil Produced	Crude Oil Exported	Internal Consumption	Ending Balance	Beginning Balance	Crude Oil Produced	Crude Oil Exported	Internal Consumption	Ending Balance	Beginning Balance	Crude Oil Produced	Crude Oil Exported	Internal Consumption	Ending Balance	Beginning Balance	Crude Oil Produced	Crude Oil Exported	Internal Consumption	Ending Balance
January																				
February																				
March																				
April																				
May																				
June																				
July																				
August																				
September																				
October																				
November																				
December																				
Total Reported Crude Oil Quantities																				
We confirm that the above information reflects the extracted oil, exported oil and internal oil consumption reported in accordance with regulations on reporting and reconciliation of oil in the Republic of Iraq																				
Name: _____																				
Position: _____																				
E-mail address: _____																				
Location: _____																				
Date: _____																				
Authorized Signature: _____																				
Stamp: _____																				

Ministry of Natural Resources (KRG)																	
Reporting Forms Under EITI Regulations																	
Crude Oil Exports in Calendar Year 2011																	
(Quantities Reported in Barrels)																	
Shipment No.	Contract No.	Invoice No.	Invoice Date (Day-Month-Year)	Quantity (Barrels)	Barrel Price (US\$)	Amount (US\$)	Quantity Tons	Quantities as reported by Third Party Verification Company (SGS)	Port	Loading Date (Day-Month-Year)	LC No.	Destination	Due Date (Day-Month-Year)	API	Vessel Name	Settlement Date (Day-Month-Year)	Notes
1																	
2																	
3																	
4																	
5																	
6																	
7																	
8																	
9																	
10																	
11																	
12																	
13																	
14																	
15																	
etc....																	
Total																	
We confirm that the above information has been prepared in accordance with International Public Sector Accounting Standards (IPSAS) under cash basis of accounting or its equivalent and disclosures are based on audited accounts by the Board of Supreme Audit (BSA)																	
Name of the independent auditor for the year ended 31 December 2011 _____																	
Date of the independent auditor report, for the year ended 31 December 2011 _____																	
Location: _____																	
Date: _____																	
CFO/CEO signature: _____																	
Stamp: _____																	

Iraqi Extractive Industries Transparency Initiative (IEITI)

SOMO																		
Buyer Name:																		
Reporting Forms Under EITI Regulations																		
Crude Oil Exports in Calendar Year 2011																		
(Quantities Reported in Barrels)																		
	Shipment No.	Contract No.	Invoice No.	Invoice Date (Day-Month-Year)	Quantity (Barrels)	Barrel Price (US\$)	Amount (US\$)	Quantity Tons	Quantities as reported by Third Party Verification Company (SGS)	Port	Loading Date (Day-Month-Year)	LC No.	Destination	Due Date (Day-Month-Year)	API	Vessel Name	Settlement Date (Day-Month-Year)	Notes
1																		
2																		
3																		
4																		
5																		
6																		
7																		
8																		
9																		
10																		
11																		
12																		
13																		
14																		
15																		
etc.																		
Total																		

We confirm that the above information has been prepared in accordance with International Public Sector Accounting Standards (IPSAS) under cash basis of accounting or its equivalent and disclosures are based on audited accounts by the Board of Supreme Audit (BSA)

Name of the independent auditor for the year ended 31 December 2011	
Date of the independent auditor report for the year ended 31 December 2011	
Location:	
Date:	
CFO/CEO signature:	
Stamp:	

Template #20 - Third Party Verification Co.

Third Party Verification Co. Name:																			
Reporting Forms Under EITI Regulations																			
Crude Oil Exports in Calendar Year 2011																			
(Quantities Reported in Barrels)																			
	Client Name	Shipment No.	Contract No.	Invoice No.	Invoice Date (Day-Month-Year)	Quantity (Barrels)	Barrel Price (US\$)	Amount (US\$)	Quantity Tons	Quantities as reported by Third Party Verification Company	Port	Loading Date (Day-Month-Year)	LC No.	Destination	Due Date (Day-Month-Year)	API	Vessel Name	Settlement Date (Day-Month-Year)	Notes
1																			
2																			
3																			
4																			
5																			
6																			
7																			
8																			
9																			
10																			
11																			
12																			
13																			
14																			
15																			
etc.																			
Total																			

We confirm that the above information has been prepared in accordance with International Public Sector Accounting Standards (IPSAS) under cash basis of accounting or its equivalent and disclosures are based on audited accounts by the Board of Supreme Audit (BSA)

Name of the independent auditor for the year ended 31 December 2011	
Date of the independent auditor report for the year ended 31 December 2011	
Location:	
Date:	
CFO/CEO signature:	
Stamp:	

Iraqi Extractive Industries Transparency Initiative (IEITI)

Template #21 - Missan Oil Co.

Missan Oil Company						
Reporting Form Under EITI Regulations						
Oil & Gas Supplies in Calendar Year 2011						
(Quantities Reported in Barrels / Qubic Meters)						
Name of Receiving - Refinery / Power Station / National Gas Co.	Oil			Gas		
	Power Stations	Refineries	Gas Companies	Power Stations	Refineries	Gas Companies
Total Reported Oil and Gas Quantities						
We confirm that the above information reflects the extracted oil, exported oil and internal oil consumption reported in accordance with regulations on reporting and reconciliation of oil in the Republic of Iraq						
Name:						
Position:						
E-mail address:						
Location:						
Date:						
Authorized Signature:						
Stamp:						

Template #21 - North Oil Co.

North Oil Company						
Reporting Form Under EITI Regulations						
Oil & Gas Supplies in Calendar Year 2011						
(Quantities Reported in Barrels / Qubic Meters)						
Name of Receiving - Refinery / Power Station / National Gas Co.	Oil			Gas		
	Power Stations	Refineries	Gas Companies	Power Stations	Refineries	Gas Companies
Total Reported Oil and Gas Quantities						
We confirm that the above information reflects the extracted oil, exported oil and internal oil consumption reported in accordance with regulations on reporting and reconciliation of oil in the Republic of Iraq						
Name:						
Position:						
E-mail address:						
Location:						
Date:						
Authorized Signature:						
Stamp:						

Iraqi Extractive Industries Transparency Initiative (IEITI)

Template #21 - South Oil Co.

South Oil Company						
Reporting Form Under EITI Regulations						
Oil & Gas Supplies in Calendar Year 2011						
(Quantities Reported in Barrels / Qubic Meters)						
Name of Receiving - Refinery / Power Station / National Gas Co.	Oil			Gas		
	Power Stations	Refineries	Gas Companies	Power Stations	Refineries	Gas Companies
Total Reported Oil and Gas Quantities						
We confirm that the above information reflects the extracted oil, exported oil and internal oil consumption reported in accordance with regulations on reporting and reconciliation of oil in the Republic of Iraq						
Name:						
Position:						
E-mail address:						
Location:						
Date:						
Authorized Signature:						
Stamp:						

Template #21A - Mid Oil Co.

Mid Oil Company		
Reporting Form Under EITI Regulations		
Oil & Gas Supplies in Calendar Year 2011		
(Quantities Reported in Barrels / Qubic Meters)		
Name of Receiving - Electricity Generation Directorate	Oil	Gas
Total Reported Oil and Gas Quantities		
We confirm that the above information reflects the oil & gas quantities supplied to the Electricity Generation Directorates reported in accordance with regulations on reporting and reconciliation of oil & gas in the Republic of Iraq		
Name:		
Position:		
E-mail address:		
Location:		
Date:		
Authorized Signature:		
Stamp:		

Iraqi Extractive Industries Transparency Initiative (IEITI)

Template #22 - Refinery/Power Station/National Gas Co. (Including KRG)

Refinery/ Power Station/ National Gas Co. Name (Including KRG)										
Reporting Form Under EITI Regulations										
Oil & Gas Supply in Calendar Year 2011										
(Quantities Reported in Barrels / Cubic Meters)										
Month	North Refineries		Midland Refineries		South Refineries		Missan Refinery		Other oil/Gas Co.	
	Crude	Gas	Crude	Gas	Crude	Gas	Crude	Gas	Crude	Gas
January										
February										
March										
April										
May										
June										
July										
August										
September										
October										
November										
December										
Total Reported Crude Oil and Gas Quantities										
We confirm that the above information reflects the extracted oil, exported oil and internal oil consumption reported in accordance with regulations on reporting and reconciliation of oil in the Republic of Iraq										
Name: _____										
Position: _____										
E-mail address: _____										
Location: _____										
Date: _____										
Authorized Signature: _____										
Stamp: _____										

Template #21A - South Oil Co.

South Oil Company		
Reporting Form Under EITI Regulations		
Oil & Gas Supplies in Calendar Year 2011		
(Quantities Reported in Barrels / Cubic Meters)		
Name of Receiving - Electricity Generation Directorate	Oil	Gas
Total Reported Oil and Gas Quantities		
We confirm that the above information reflects the oil & gas quantities supplied to the Electricity Generation Directorates reported in accordance with regulations on reporting and reconciliation of oil & gas in the Republic of Iraq		
Name: _____		
Position: _____		
E-mail address: _____		
Location: _____		
Date: _____		
Authorized Signature: _____		
Stamp: _____		

Iraqi Extractive Industries Transparency Initiative (IEITI)

Template #22A- Electricity Generation Directorate

Electricity Generation Directorate										
Reporting Form Under EITI Regulations										
Oil & Gas Supply in Calendar Year 2011										
(Quantities Reported in Barrels / Cubic Meters)										
Month	North Oil Co.		Midland Oil Co.		South Oil Co.		Mssan Refinery		Other oil/Gas Co.	
	Crude	Gas	Crude	Gas	Crude	Gas	Crude	Gas	Crude	Gas
January										
February										
March										
April										
May										
June										
July										
August										
September										
October										
November										
December										
Total Reported Crude Oil and Gas Quantities										
We confirm that the above information reflects that oil consumption reported in accordance with regulations on reporting and reconciliation of oil in the Republic of Iraq										
Name:										
Position:										
Email address:										
Location:										
Date:										
Authorized Signature:										
Stamp:										

Template #23 - Ministry of Natural Resources (KRG)

Ministry of Natural Resources (KRG)			
Reporting Form Under EITI Regulations			
International Oil Co. Name:			
Oil & Gas Supply in Calendar Year 2011			
(Quantities Reported in Barrels / Cubic Meters)			
Receiving Entity Name	Receiving Entity Type (Gas Co/ Power Station/ Refinery)	Oil Quantity	Gas Quantity
Total Reported Crude Oil / Gas Quantities			
We confirm that the above information reflects the oil and gas supply to refineries, power stations and national gas companies reported in accordance with regulations on reporting and reconciliation of oil in the Republic of Iraq			
Name:			
Position:			
E-mail address:			
Location:			
Date:			
Authorized Signature:			
Stamp:			

Iraqi Extractive Industries Transparency Initiative (IEITI)

Template #23 - MoO - North Oil Co.

Ministry of Oil			
Reporting Form Under EITI Regulations			
North Oil Company			
Oil & Gas Supply in Calendar Year 2011			
(Quantities Reported in Barrels / Qubic Meters)			
Receiving Entity Name	Receiving Entity Type (Gas Co/ Power Station/ Refinery)	Oil Quantity	Gas Quantity
Total Reported Crude Oil / Gas Quantities			
We confirm that the above information reflects the oil and gas supply to refineries, power stations and national gas companies reported in accordance with regulations on reporting and reconciliation of oil in the Republic of Iraq			
Name:			
Position:			
E-mail address:			
Location:			
Date:			
Authorized Signature:			
Stamp:			

Template #23 - MoO - South Oil Co.

Ministry of Oil			
Reporting Form Under EITI Regulations			
South Oil Company			
Oil & Gas Supply in Calendar Year 2011			
(Quantities Reported in Barrels / Qubic Meters)			
Receiving Entity Name	Receiving Entity Type (Gas Co/ Power Station/ Refinery)	Oil Quantity	Gas Quantity
Total Reported Crude Oil / Gas Quantities			
We confirm that the above information reflects the oil and gas supply to refineries, power stations and national gas companies reported in accordance with regulations on reporting and reconciliation of oil in the Republic of Iraq			
Name:			
Position:			
E-mail address:			
Location:			
Date:			
Authorized Signature:			
Stamp:			



Iraqi Extractive Industries Transparency Initiative (IEITI)

Template #25 - Mining Co. (KRG)

Mining Co. Name								
Reporting Form Under EITI Regulations								
Production in Calendar Year 2011								
(Quantities Reported in Tons)								
Month	Product Type 1				Product Type 2			
	Beginning Balance	Production	Sales	Ending Balance	Beginning Balance	Production	Sales	Ending Balance
January								
February								
March								
April								
May								
June								
July								
August								
September								
October								
November								
December								
Total								
We confirm that the above information reflects the production of oil and gas reported in accordance with regulations on reporting and reconciliation of oil in the Republic of Iraq								
Name:								
Position:								
E-mail address:								
Location:								
Date:								
Authorized Signature:								
Stamp:								

Template #25 - National Mining Co.

National Mining Co. Name								
Reporting Form Under EITI Regulations								
Production in Calendar Year 2011								
(Quantities Reported in Tons)								
Month	Product Type 1				Product Type 2			
	Beginning Balance	Production	Sales	Ending Balance	Beginning Balance	Production	Sales	Ending Balance
January								
February								
March								
April								
May								
June								
July								
August								
September								
October								
November								
December								
Total								
We confirm that the above information reflects the production reported in accordance with regulations on reporting and reconciliation of oil in the Republic of Iraq								
Name:								
Position:								
E-mail address:								
Location:								
Date:								
Authorized Signature:								
Stamp:								

Iraqi Extractive Industries Transparency Initiative (IEITI)

Template #26 - Ministry of Industry & Minerals

Ministry of Industry & Minerals								
Reporting Form Under EITI Regulations								
Mining Productions in Calendar Year 2011								
(Quantities Reported in Tons)								
Mining Co Name	Product Type 1				Product Type 2			
	Beginning Balance	Production	Sales	Ending Balance	Beginning Balance	Production	Sales	Ending Balance
January								
February								
March								
April								
May								
June								
July								
August								
September								
October								
November								
December								
Total Reported Product Quantities								
We confirm that the above information reflects the oil and gas production by national mining companies reported in accordance with regulations on reporting and reconciliation of oil in the Republic of Iraq								
Name:								
Position:								
E-mail address:								
Location:								
Date:								
Authorized Signature:								
Stamp:								

Template #26 - Ministry of Natural Resources

Ministry of Natural Resources (KRG)								
Reporting Form Under EITI Regulations								
Mining Productions in Calendar Year 2011								
(Quantities Reported in Tons)								
Mining Co Name	Product Type 1				Product Type 2			
	Beginning Balance	Production	Sales	Ending Balance	Beginning Balance	Production	Sales	Ending Balance
January								
February								
March								
April								
May								
June								
July								
August								
September								
October								
November								
December								
Total Reported Crude Oil Quantities								
We confirm that the above information reflects the oil and gas production by national mining companies reported in accordance with regulations on reporting and reconciliation of oil in the Republic of Iraq								
Name:								
Position:								
E-mail address:								
Location:								
Date:								
Authorized Signature:								
Stamp:								

Iraqi Extractive Industries Transparency Initiative (IEITI)

Template #27 - Ministry of Industry (KRG)

Ministry of Industry (KRG)						
Reporting Form Under EITI Regulations						
Mining Revenue as reported by the Ministry of Industry in Calendar Year 2011						
Month	Mining Co. (1)		Mining Co. (2)		Mining Co. (3)	
	Amount (IQD)	Amount (US\$)	Amount (IQD)	Amount (US\$)	Amount (IQD)	Amount (US\$)
January						
February						
March						
April						
May						
June						
July						
August						
September						
October						
November						
December						
Total	0	0	0	0	0	0

We confirm that the above information reflects the details of revenue reported from Mining Companies during the calendar year 2011

Name:	
Position:	
E-mail address:	
Location:	
Date:	
Authorized Signature:	
Stamp:	

Template #27 - Ministry of Industry & Minerals

Ministry of Industry & Minerals						
Reporting Form Under EITI Regulations						
Mining Revenue as reported by the Ministry of Industry & Minerals in Calendar Year 2011						
Month	National Mining Co. (1)		National Mining Co. (2)		National Mining Co. (3)	
	Amount (IQD)	Amount (US\$)	Amount (IQD)	Amount (US\$)	Amount (IQD)	Amount (US\$)
January						
February						
March						
April						
May						
June						
July						
August						
September						
October						
November						
December						
Total	0	0	0	0	0	0

We confirm that the above information reflects the details of revenue reported from National Mining Companies during the calendar year 2011

Name:	
Position:	
E-mail address:	
Location:	
Date:	
Authorized Signature:	
Stamp:	

Iraqi Extractive Industries Transparency Initiative (IEITI)

Templates

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

Iraqi Extractive Industries Transparency Initiative (IEITI)

To: Oil Marketing Company (SOMO)

Dear Sirs,

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

- What is SOMO's strategy on marketing growth over Oil Markets (American, European, and Asian)?
- Details of Spot crude oil prices (PLATTS Rates \$/bbl) from 1 January 2011 to 31 December 2011.
- Historic and forecasted data pertaining to production, consumption, imports, exports and reserves regarding Iraqi Oil Markets (American, European, and Asian) for the period 2007-2015.
- Key information pertaining to Iraqi Oil Markets (American, European, and Asian) regulations.
- Information regarding the top companies purchasing Iraqi crude oil based on their market location (American, European, and Asian) including business description, strategic analysis, and financial information.
- Facilitate market analysis and forecasting of future industry trends in Iraqi Oil Markets (American, European, and Asian).
- Assess your competitor's major crude oil assets and their performance.
- Any other Research on Iraqi Oil Markets (American, European, and Asian) that you may provide us with.

Hard copies should be sent to:

Ernst & Young "Jordan"

P . O . B o x 1140 Amman 11118 , F a x 0096265538300

Hashemite Kingdom of Jordan

Soft copies should be emailed to: eiti.iraq@jo.ey.com

Best Regards.

Name:

Signature:

Iraqi Extractive Industries Transparency Initiative (IEITI)

Templates

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

Iraqi Extractive Industries Transparency Initiative (IEITI)

To: Iraqi Ministry of Industry and Minerals

Dear Sirs,

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

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

Hard copies should be sent to:
Ernst & Young "Jordan"
P.O. Box 1140 Amman 11118, Fax 00962 6 553 8300
Hashemite Kingdom of Jordan

Soft copies should be emailed to: eiti.iraq@jo.ey.com

Best Regards.

Name:

Signature:



Iraqi Extractive Industries Transparency Initiative (IEITI)

Templates

Central Bank of Iraq Form to FRBNY

To: Federal Reserve Bank of New York (FRBNY)

.....
.....

Dear Sirs,

At the request of the Iraqi Extractive Industries Transparency Initiative - IEITI), kindly send certificates in respect of our positions listed below as at 31 December 2011 to Ernst & Young "Jordan" directly at their below address:

P.O. Box 1140 Amman 11118,
Fax 00962 6 553 8300
Hashemite Kingdom of Jordan
Att.: Nicola Sayegh
eiti.iraq@jo.ey.com

• Detailed Bank statement of account for the year ended December 31, 2011 for the following accounts:

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

Very truly yours,

Name:
Authorized Signatory:



Iraqi Extractive Industries Transparency Initiative (IEITI)

Appendix 4 - DFI 2011 Statement of Proceeds of Oil Export Sales

Iraqi Extractive Industries Transparency Initiative (IEITI)

Appendix 4 - DFI 2011 Statement of Proceeds of Oil Export Sales

Development Fund for Iraq

STATEMENT OF CASH RECEIPTS AND PAYMENTS
For the year ended 31 December 2011
IN THOUSAND US\$

	2011	2010
Total export sales of petroleum as reported by SOMO	80,796,735	52,202,645
Less:		
Demurrage claims deducted from export sales invoices	(14,896)	(31,672)
Proceeds deposited in Oil Proceeds Receipts Account after end of period	(13,293,501)	(4,936,362)
Price differential	(1,327)	
Add:		
Proceeds deposited in Oil Proceeds Receipts Account related to prior export sales invoices	11,898,690	4,156,197
Price differential	-	3,648
Interest on delayed bank transfers	9	4
Total Proceeds deposited in Oil Proceeds Receipts Account	79,385,710	51,394,460
Amounts transferred to the United Nation Compensation Fund (5%)	(3,969,285)	(2,569,723)
Net proceeds deposited in the Development Fund for Iraq (95%)	75,416,425	48,824,737



Iraqi Extractive Industries Transparency Initiative (IEITI)

Appendix 4 - DFI 2011 Statement of Proceeds of Oil Export Sales

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