



Pakistan Petroleum Limited

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Our reference: SAA/CS/SE-0110

Your reference:

Date: 22nd February 2018

Pakistan Stock Exchange Limited
Stock Exchange Building
Stock Exchange Road
Karachi

Attention: Mr. Muhammad Ghufraan
Deputy General Manager

Dear Sirs,

Re: Tal Block, Imposition of Windfall Levy on Oil/Condensate

The Company is a party to the Tal Block Petroleum Concession Agreement (the "PCA"). The PCA was signed on 11th February 1999 pursuant to the Petroleum Policy of 1997. Subsequently, the Company, along with other working interest owners, signed a supplemental agreement dated 28th August 2015 for the Tal block (the "Supplemental Agreement") in accordance with the 'Conversion Regime' introduced in the Petroleum Exploration and Production Policy of 2012 (the "Petroleum Exploration and Production Policy, 2012") applicable at the date. The Conversion Regime was transformed and included in the Supplemental Agreement as a 'Conversion Package' which, inter alia, included the revised price for the exploration and production of petroleum products and windfall levy on natural gas only.

The Ministry of Energy (Petroleum Division) revised the Petroleum Exploration and Production Policy, 2012, with the approval of the Council of Common Interests, vide a SRO [un-numbered] dated 27th December 2017 (the "SRO") which, inter alia, implies that: (i) the windfall levy previously restricted in the Supplemental Agreement to natural gas is payable also on the exploration and production of oil / condensate; (ii) the Petroleum Exploration and Production Policy, 2012 shall apply to the petroleum concession agreements that have utilized the conversion option prior to the revision; and (iii) it was provided that any entity not agreeing to the amendment will revert back to the prices applicable prior to the conversion.

The Company challenged the SRO in the Islamabad High Court on the grounds that the terms of none of the existing petroleum concession agreements as amended to date by the existing supplemental agreements can be unilaterally revised by the Government of Pakistan (the "GoP"), nor can the GoP lawfully require and direct that such amendments be made mandatorily to include the imposition of windfall levy on oil / condensate retrospectively, and nor can the GoP unilaterally hold and direct that the gas pricing incentives, to which the Company is presently entitled and is receiving under the existing 'Conversion Package' as included in the

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Supplemental Agreement will stand withdrawn, or that the Company shall cease to be eligible for such incentives in the event of failure to execute fresh supplemental agreements. The petition was heard on 20th February 2018 and an order was passed by Hon'ble Islamabad High Court directing the parties to maintain status quo until the next hearing of the petition on 15th March 2018. The final outcome of the proceedings shall be intimated by the Company.

Yours truly,

Shahana Ahmed Ali
Company Secretary

Copy by facsimile and courier:
Director / Head of Department
Surveillance, Supervision and Enforcement Department
Securities and Exchange Commission of Pakistan
NIC Building, 63 Jinnah Avenue, Blue Area
Islamabad