

Flash Note

Friday, 27 October 2017

Oil & Gas – Exploration Companies

PPL Receives USD 54.8mn from AROL under Settlement Agreement Signed with AROL in respect of Gambat South and Kotri Block

- Pakistan Petroleum Limited (PPL) in its notice through PSX has notified that pursuant to Settlement Agreement (SA) signed with Asia Resource Oil Limited (AROL) in respect of outstanding amount for Gambat South and Kotri Block, the company has received USD 54.8mn from AROL and all outstanding liabilities (final settlement and current cash calls) have been cleared.
- According to the notice, if AROL fails to make the payment for Naushahro Feroz, the company's working interest of 10% in the aforesaid block will irrevocably stand in favor of PPL.
- To recall, in Jan-17 Board of Directors of PPL approved proposal for SA with AROL which entailed withdrawal of civil suit by AROL for payment of all outstanding dues in respect of Gambat South, Kotri and Naushahro Feroz block. On 17th Mar-17, SA were signed for each of these blocks.
- Since execution of SA, AROL has paid PKR 114mn in lieu of cash calls from Jan-17 to May-17.
- One of the clauses of the Agreement was that if AROL fails to make the payment within six months of signing the SA, its working interests in Gambat South, Kotri and Naushahro Feroz block with irrevocably stand forfeited in favor of the company.
- Based on our estimates, we expect an after tax EPS impact of PKR 2.1/share in respect of USD 54.8mn payment received by PPL for Gambat South and Kotri Block.
- Although PPL has not notified the amount in respect of Naushahro Feroz, we believe the amount to have a negligible impact on PPL's earnings. Currently, production from Naushahro Feroz has not commenced, however once production starts we expect transfer of 10% working interest of AROL to have an EPS impact of PKR 0.01/share on PPL.

Exhibit:

EPS impact on PPL of the amount received

| Block | Working Interest | | | Paid Till Jan to May-17 | Outstanding paid | Per Share Impact on PPL |
|-----------------------|------------------|-----|------|-------------------------|----------------------|----------------------------|
| | AROL | PPL | GHPL | | | |
| Gambat South | 10% | 65% | 25% | PKR 114.37mn | PKR 5,754mn | PKR2.1/share |
| Khotri Block | 10% | 90% | 0% | | | |
| Naushahro Feroz Block | 10% | 90% | 0% | | 10% Working Interest | Negligible <PKR 0.05/share |

Source: IGI Research, PSX, Company Financials

Analyst

Abdullah Farhan

abdullah.farhan@igi.com.pk

Tel: (+92-21) 111-234-234 Ext.: 912

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IGI Finex Securities Limited

Research Analyst(s)

Research Identity Number: BRP009

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Contact Details

Research Team

| | | | |
|-------------------|----------------------|------------------------------------|----------------------------|
| Saad Khan | Head of Research | Tel: (+92-21) 111-234-234 Ext: 810 | saad.khan@igi.com.pk |
| Abdullah Farhan | Senior Analyst | Tel: (+92-21) 111-234-234 Ext: 912 | abdullah.farhan@igi.com.pk |
| Syed Daniyal Adil | Research Analyst | Tel: (+92-21) 111-234-234 Ext: 973 | daniyal.adil@igi.com.pk |
| Suleman Ashraf | Research Analyst | Tel: (+92-21) 111-234-234 Ext: 957 | suleman.ashraf@igi.com.pk |
| Muhammad Saad | Research Analyst | Tel: (+92-21) 111-234-234 Ext: 973 | muhammad.saad@igi.com.pk |
| Tanweer Kabbeer | Research/Fund Select | Tel: (+92-21) 111-234-234 Ext: 966 | tanweer.kabbeer@igi.com.pk |
| Umesh Solanki | Database Manager | Tel: (+92-21) 111-234-234 Ext: 974 | umesh.solanki@igi.com.pk |

Equity Sales

| | | | |
|-------------------|--|---------------------------|----------------------------|
| Faisal Jawed Khan | Head of Equities | Tel: (+92-21) 35301779 | faisal.jawed@igi.com.pk |
| Zaeem Haider Khan | Regional Head (North) | Tel: (+92-42) 35777863-70 | zaeem.haider@igi.com.pk |
| Muhammad Naveed | Regional Manager (Islamabad & Upper North) | Tel: (+92-51) 2604861-62 | muhammad.naveed@igi.com.pk |
| Ejaz Rana | Regional Manager (Faisalabad) | Tel: (+92-41) 2540843-45 | ejaz.rana@igi.com.pk |
| Asif Saleem | Branch Manager (RY Khan) | Tel: (+92-68) 5871652-56 | asif.saleem@igi.com.pk |
| Mehtab Ali | Branch Manager (Multan) | Tel: (+92-61) 4512003 | mehtab.ali@igi.com.pk |
| Zeeshan Kayani | Branch Manager (Abbottabad) | Tel: (+92-992) 408243-44 | zeeshan.kayani@igi.com.pk |
| Ihsan Mohammad | Branch Manager (Peshawar) | Tel: (92-91) 5253035 | ihsan.mohammad@igi.com.pk |

IGI Finex Securities Limited

Trading Rights Entitlement Certificate (TREC) Holder of
Pakistan Stock Exchange Limited |
Corporate member of Pakistan Mercantile Exchange Limited

Head Office

Suite No 701-713, 7th Floor, The Forum, G-20,
Khayaban-e-Jami Block-09, Clifton, Karachi-75600
UAN: (+92-21) 111-444-001 | (+92-21) 111-234-234
Fax: (+92-21) 35309169, 35301780

Website: www.igisecurities.com.pk

Stock Exchange Office

Room # 719, 7th Floor, PSX Building, Stock Exchange Road, Karachi.
Tel: (+92-21) 32429613-4, 32462651-2, Fax: (+92-21) 32429607

Lahore Office

5-F.C.C. Ground Floor, Syed Maratib Ali Road,
Gulberg II, Lahore
Tel: (+92-42) 35777863-70, 35876075-76
Fax: (+92-42) 35763542

Faisalabad Office

Room #: 515-516, 5th Floor, State Life
Building, 2- Liaqat Road, Faisalabad
Tel: (+92-41) 2540843-45
Fax: (+92-41) 2540815

Multan Office

Mezzanine Floor, Abdali Tower,
Abdali Road, Multan
Tel: (92-992) 408243 - 44

Peshawar Office

2nd Floor, The Mall Tower,
35 The Mall Peshawar Cantt.
Tel: (92-91) 5253035, 5278448

Islamabad Office

Mezzanine Floor, Office 5, 6 & 7, Kashmir Plaza,
Block- B, Jinnah Avenue, Blue Area, Islamabad
Tel: (+92-51) 2604861-2, 2604864, 2273439
Fax: (+92-51) 2273861

Rahim Yar Khan Office

Plot # 12, Basement of Khalid Market,
Model Town, Town Hall Road, Rahim Yar Khan
Tel: (+92-68) 5871653-6, 5871652
Fax: (+92-68) 5871651

Abbottabad Office

Ground Floor, Al Fatah Shopping Center, Opp. Rad
Station, Mansehra Road, Abbottabad
Tel: (+92-99) 2408243 - 44

Sialkot Office

Suite No. 10 & 11, 1st Floor, Soni Square,
Mubarak Pura, Sialkot.
Tel: (+92-52) 3258437, 3258762