

## Oil & Gas Exploration Companies

### PPL and OGDC Enter in to Reconstitution of Reko Diq Project

**Reko Diq dispute resolved:** As per the notice issued by OGDC and PPL, the Board of Directors of respective companies have resolved to enter in to a non-binding Framework Agreement for joint mining project at Reko Diq on expedited basis. The announcement comes post resolution of longstanding dispute with Tethyan Copper Company (TCC) over development of copper and gold mines in Chagai (Balochistan). The agreement was signed on Sunday between Federal Government, Government of Balochistan and Barrick Gold Corporation of Canada.

**Terms of new agreement:** Under the new agreement, Barrick Gold will own 50% stake in the project while remaining 50% to be equally divided between Federal Government and Government of Balochistan. Federal Government's stake of 25% will be further divided equally between OGDC, PPL and Government Holdings Pakistan Limited (GHPL). Thus, OGDC and PPL will have 8.3% stake each in the project with initial agreed entry fee of USD 187.5mn (PKR 33.75bn at exchange rate of PKR 180).

**OGDC and PPL commit to payment obligation:** With respect to the payment obligation for OGDC and PPL, the Companies have notified that they have agreed to support Government of Pakistan and would arrange the funds through either cash collateral, contribution of funds or availing other funded or non-funded facilities. OGDC and PPL, as per the agreement, would have to pay USD 187.5mn each initially which comes to around PKR 7.8/share and PKR 12.4/share respectively. OGDC and PPL as at Dec-21 have cash and cash equivalent of PKR 16.3/share and PKR 35/share respectively.

**Uncertainty over payments:** Although OGDC and PPL have committed to payment obligation under the agreement; however, there is no clarity on how these funds would be arranged. To recall, GoP earlier indicated its intend to declare one time dividend from OGDC and PPL to adjust overdue receivables from Sui companies. However, as both companies have committed to payment obligation, the one-time dividend remains uncertain and further clarity is awaited on this matter.

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