REPUBLIC OF SOUTH SUDAN

MOP PETROLEUM REPORT

June 2018 – May 2019

Twelve Months Results

VOLUME 7

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The Ministry of Petroleum

Republic of South Sudan

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THE HON. MINISTER OF PETROLEUM

Honorable Eng. Awow Daniel Chuang is the Minister of Petroleum for the Government of the Republic of South Sudan. He has guided the petroleum activities of the Ministry since June 2019.

A short biography of Honorable Eng Awow Daniel Chuang Minister of Petroleum

- Appointed minister of petroleum, Transitional Government of National Unity of the Republic of South Sudan in 2019
- Appointed Director General for Petroleum Authority November 2015

Educational & Professional Background:

- B.Sc. (Honours) in Chemical Engineering, University of Khartoum, Sudan
- Director for Refineries Projects, Ministry of Petroleum and Mining 2012 – 2015
- Projects Construction Manager, Asawer Oil and Gas (SUDAPET Subsidiary)
- Technical Consultant (Self Employed) 2004 – 2011, Saudi Arabia
- Production and Quality Control Manager, Al-Majd Asphalt Emulsion Factory, Saudi Arabia 1998 - 2004
- Supervising Gold Refining and Quality Control, Sulieman Al-Othaim Jewelry Factory, Riyadh, Saudi Arabia, 1997 -1998
- Production and Quality Control Engineer, Araak Food Industries, 1995 – 1996, Khartoum, Sudan
- Mathematics and Physics Instructor, Remedial English and Sciences Course Center, Khartoum Sudan

MESSAGE FROM HON. MINISTER OF PETROLEUM

It is with great pleasure that I present to you this Seventh annual publication of the Ministry of Petroleum activity report covering the government's fiscal year from June 2018 to May 2019. The report provides detailed activity and statistics on the government's accomplishments and demonstrates my ministry's commitment to openness and transparency in all of the work that we do.

Last year 2018, was remarkable in the history of the Ministry of Petroleum as it marks the first resumption of oil production in block 1,2 &4 in which production was shut down for the last five years. The past years have been difficult for global crude oil markets and South Sudan has been seriously impacted particularly in our economic activities and government funding being dependent on oil revenues. Production in Northern Upper Nile State has witnessed some little increase compared to the previous years. The Brent crude oil price, upon which our sales are based, has also witnessed improvement compared to the years before. Transitional Financial Arrangement (TFA) which is a political arrangement between the two countries is now halfway settled. The balance remained to be settled by the Republic of South Sudan is around 766 m USD by May 2019.

The ministry recognizes that we must focus on controllable issues and our staff has worked closely with our contractors to develop realistic oil field work plans and budgets that are fair to all parties. We are working with our neighboring countries on crude oil export and fuel import issues.

The past year has allowed the ministry to add additional key staff which has permitted us to enhance our regulatory and oversight obligations. We have improved our monitoring and reporting on production, transportation and shipping, marketing activities, crude oil entitlement and contractor audits. We have strengthened our environmental review efforts and worked more closely with local communities to address regional issues. We have implemented new Management Systems regulation as well as a new system of administrative monetary penalties for environmental infractions. This will provide my ministry with stronger enforcement provisions for environmental violations backed by the full support of legislation and regulation.

South Sudan has tremendous potential for future petroleum and minerals exploration and development. My ministry and staff remain committed to unlocking this potential for the mutual benefit of all South Sudanese people.

Honorable Eng. Awow Daniel Chuang

Minister of Petroleum

MINISTRY OF PETROLEUM ORGANIZATIONAL STRUCTURE

The mandate and functions of the Ministry of Petroleum (MoP) are provided for in Section 175 of the Transitional Constitution and are guided by the Petroleum Act, 2012 and various regulations.

The MoP is responsible for the Petroleum Authority which is in charge of all the petroleum activities ranging from Marketing, Entitlement, Oil Accounting & Auditing, Supply and Investment, the Upstream Operations, Health, Safety, Environment and Petroleum Infrastructure. Other Directorates and Departments include: Planning, Training and Research, Finance and Administration and Legal Administration.

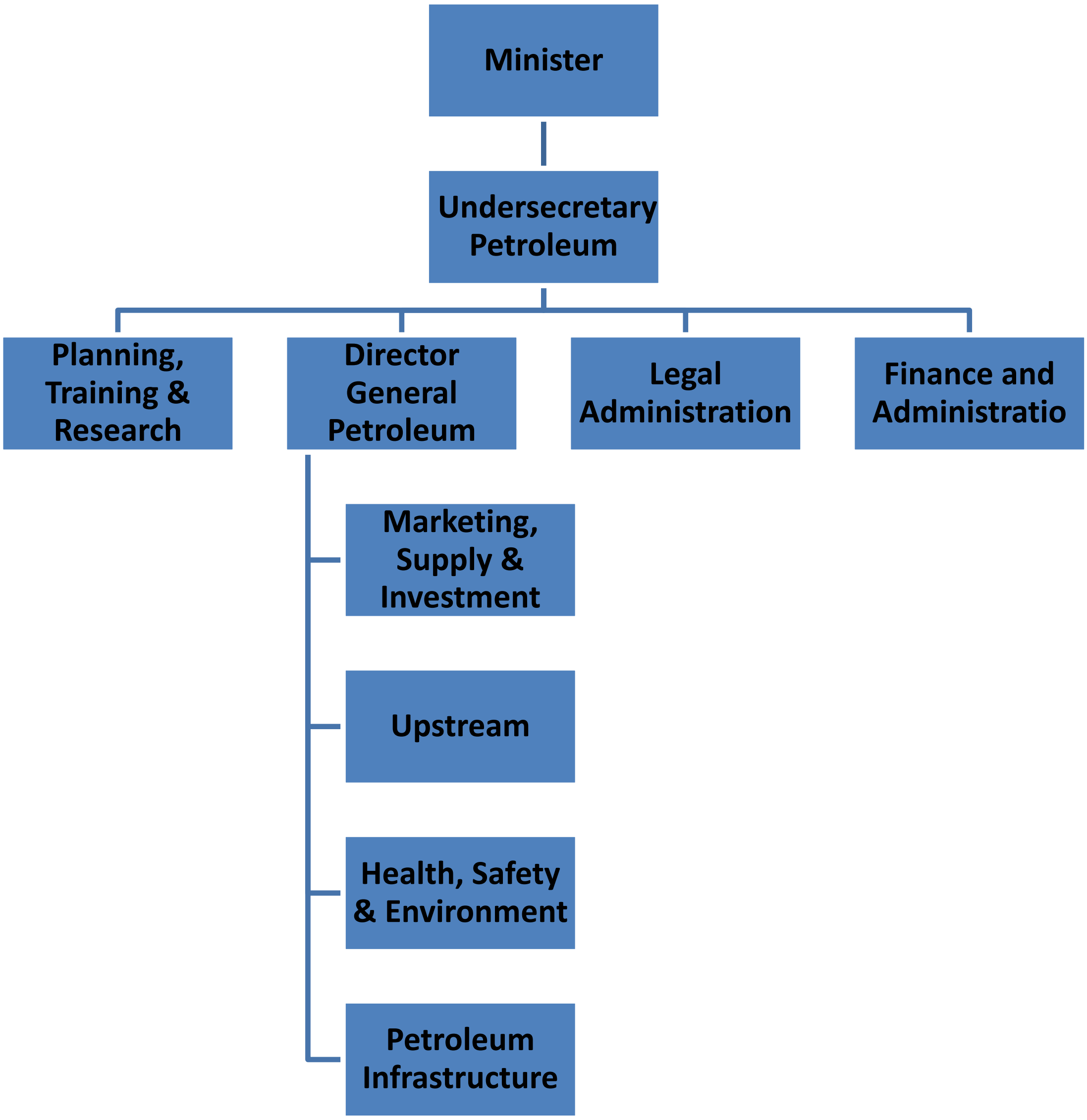

Figure 1: MoP Organizational Structure

Crude Oil Marketing Department Overview

In accordance with the MoP's obligation to manage the country's petroleum resources on behalf of the people and the government of the Republic of South Sudan, the Ministry has established a crude oil marketing Department in 2011 by then under the Petroleum Directorate's Downstream Group, to market the country's entitlement share of production. The marketing Department is responsible for the following activities:

1. reviewing the monthly crude oil lifting programs
2. vetting potential crude buyers
3. preparing the bid tenders
4. issuing the tenders
5. working with the Marketing Committee on tender award recommendations to the Minister
6. preparing the sales contracts
7. monitoring vessel arrivals, loadings and departures at the Marine Terminal, Port Sudan
8. preparing the invoices to the buyers
9. ensuring that sales proceeds are received on time and deposited into the designated government bank accounts
10. Preparing detailed marketing reports for use by MoP officials, other government ministries and agencies and for public release through the minister's office.

To further develop the activities of the marketing department as well as those of other MoP Directorates and Departments, Ministry officials have been actively engaged in defining and developing a comprehensive strategic plan that will establish short and long term priorities and programs. Strategic planning is the first step to the preparation of annual work plans and assigning responsibility and accountability. The work plan is also used for identifying budget and resource requirements, including skilled personnel, which is fundamental for ensuring future petroleum sector growth in South Sudan.

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ABBREVIATIONS
MoP Petroleum Report

AOREM	Agreement on Oil Related and Economics Matters
BBL	Barrel
BOE	barrels of oil equivalent
BOSS	Bank of South Sudan
DM	developed markets
EIA	US Energy Information Administration
EM	emerging markets
EPSA	Exploration and Production Sharing Agreement
GOS	Government of Sudan
ICP	Indonesia Crude Price
IEA	International Energy Agency
IMF	International Monetary Fund
Mbbl	thousand barrels
M3/D	thousand cubic meters per day
Mbbl/d	thousand barrels per day
MMbbl	million barrels
MMbbl/d	million barrels per day
MOFP	Ministry of Finance and Planning
MoP	Ministry of Petroleum
OECD	Organization for Economic Co-operation and Development
OPEC	Organization of the Petroleum Exporting Countries
RSS	Republic of South Sudan
STB	standard tank barrels
STP	standard temperature and pressure
STEO	short term energy outlook
SSP	South Sudan Pound
USD	United States Dollar
WTI	West Texas Intermediate
WB	World Bank

LIST OF FIGURES, GRAPHS, CHARTS AND TABLES
MPM Crude Oil Marketing Report

PART 1 – GLOBAL OIL ENVIRONMENT
June 2018 – May 2019

1.1 World Crude Oil Demand

The worldwide Oil demand for crude oil growth remains unchanged from previous reports at (1.2 mb/d) million barrels per day (MMbbl/d) in 2019. According to the U.S. Energy Information Administration (EIA), the estimate for world oil demand in 2018 averaged 99.1MMbbl/d. EIA expects consumption growth will average 1.7 MMbpd in 2018 and 1.6 MMbpd in 2019, driven by the countries outside of the Organization for Economic Cooperation and Development (OECD). Non-OECD consumption growth is expected to account for 1.2 MMbpd and 1.3 MMbpd of the growth in 2018 and 2019, respectively.

Crude oil production from the Organization of the Petroleum Exporting Countries (OPEC) averaged 32.5 MMbpd in 2017, a decrease of 0.2 MMbpd from 2016. The decline was mainly a result of the November 2016 OPEC production agreement that aimed to limit OPEC crude oil output to 32.5 MMbpd. OPEC and non-OPEC participants agreed on Nov. 30, 2017, to extend the production cuts through the end of 2018 in an effort to reduce global oil inventories. EIA expects OPEC crude oil production to increase by 0.2 MMbpd in 2018 and by an additional 0.3 MMbpd in 2019 as it slowly returns to pre-agreement levels.

Countries that are not part of the Organization for Economic Cooperation and Development (OECD) continue to drive demand growth in the forecast. Non-OECD liquid fuels consumption growth accounts for 1.2 million b/d of the forecast global growth in both 2020 and 2021; China and India represent about half of all global growth in the forecast.

EIA forecasts that China's consumption will increase by 0.5 million b/d in both 2020 and 2021. EIA does not expect growth in China's oil consumption to slow as much as slowing GDP growth would imply because a number of new petrochemical plants add more than 0.2 million b/d of consumption in 2020 and almost 0.1 million b/d in 2021. EIA also forecasts that liquid fuels consumption in India will grow by about 0.2 million b/d in both 2020 and 2021, driven by rising gasoline, jet fuel, and hydrocarbon gas liquids consumption

The degree to which global oil demand responds to lower oil prices is only beginning to become apparent. South Sudan Dar Blend oil is primarily sold into the Chinese market and refineries in that country as well as some power plants in Japan are capable of handling and welcome the heavy, slightly acidic, low sulfur grade. With the prediction of slightly increasing consumption in China over the next few years it is unlikely that demand for South Sudanese crude will be impacted.

1.2 World Crude Oil Supply

EIA estimates that global oil markets were roughly balanced in 2019, as global oil supply declined slightly and global oil consumption grew at its slowest pace since 2011. Both supply and consumption grow in 2020 in this forecast. EIA expects global oil supply will rise by 1.6 million barrels per day (b/d) in 2020 and global oil consumption will rise by 1.3 million b/d, contributing to global oil inventories rising at a pace of 0.3 million b/d. Supply growth in 2020 is led by countries that are not members of the Organization of the Petroleum Exporting Countries (OPEC), particularly the United States, Norway, Brazil, and Canada. EIA expects non-OPEC producers will increase oil supply by 2.6 million b/d in 2020, which will more than offset forecast supply declines of 1.0 million b/d from OPEC members.

In the first half of 2020, EIA expects global oil inventory builds of 0.5 million b/d will contribute to Brent spot prices falling to an average of $62 per barrel (b) by May from an average of $67/b in January. The relatively weak market balances EIA is forecasting for the first six months of 2020 occur amid market concerns about potential supply disruptions. However, a forecast of inventory growth and OPEC spare capacity of more than 2.0 million b/d could help reduce upward price pressure in the case of a limited disruption to oil supply or transportation. For all of 2020, EIA forecasts that global oil inventories will build by 0.3 million b/d and Brent prices will average $65/bl.

Oil balances in EIA's forecast begin to tighten in mid-2020, and in 2021, global oil supply growth slows. Non-OPEC supply growth slows to 0.9 million b/d in 2021, driven by a decelerating pace of growth in U.S. tight oil. EIA expects OPEC supply to add another 0.1 million b/d of growth, bringing total forecast global supply growth for 2021 to 1.0 million b/d. EIA forecasts global oil consumption growth will average 1.4 million b/d in 2021, and with consumption growth outpacing supply growth, EIA expects inventories to draw by 0.2 million b/d. These draws contribute to EIA's forecast that Brent prices will rise to an average of $68/b in 2021.

South Sudan crude oil output represents a small fraction of total daily global production. Typical buyers of the country's crude oil are also investors in South Sudan's petroleum sector and it is therefore likely that all crude oil produced in the future will be able to be marketed irrespective of total global supply levels.

Non OPEC Supply: *Non-OPEC supply growth expectations fell 72,000 bbl. /day for 2019 and 50,000 bbl/day since the group's last monthly oil report, while OPEC production last month fell 246,000 bbl./day as the global economy continued its decline.*

Despite weaker-than-expected US output, the country's total supply growth for the year is expected to stand at 1.87m bbl. /day, representing the bulk of all non-OPEC output hikes.

Demand expectations for this year have also fallen, due to weaker consumption in the Americas, while 2020 estimates remained unchanged at 101.05m bbl. /day although strong downside risks remain due to the continual weakening in global growth forecasts.

OPEC Supply – OPEC said demand for its crude will average 29.58 million barrels per day (bpd) next year. OPEC pumped less oil in November than the average 2020 requirement, having in previous months supplied more.

The report retreats further from OPEC's initial projection of a 2020 supply glut as output from rival producers such as U.S. shale has grown more slowly than expected. This will give a tailwind to efforts by OPEC and partners led by Russia to support the market next year.

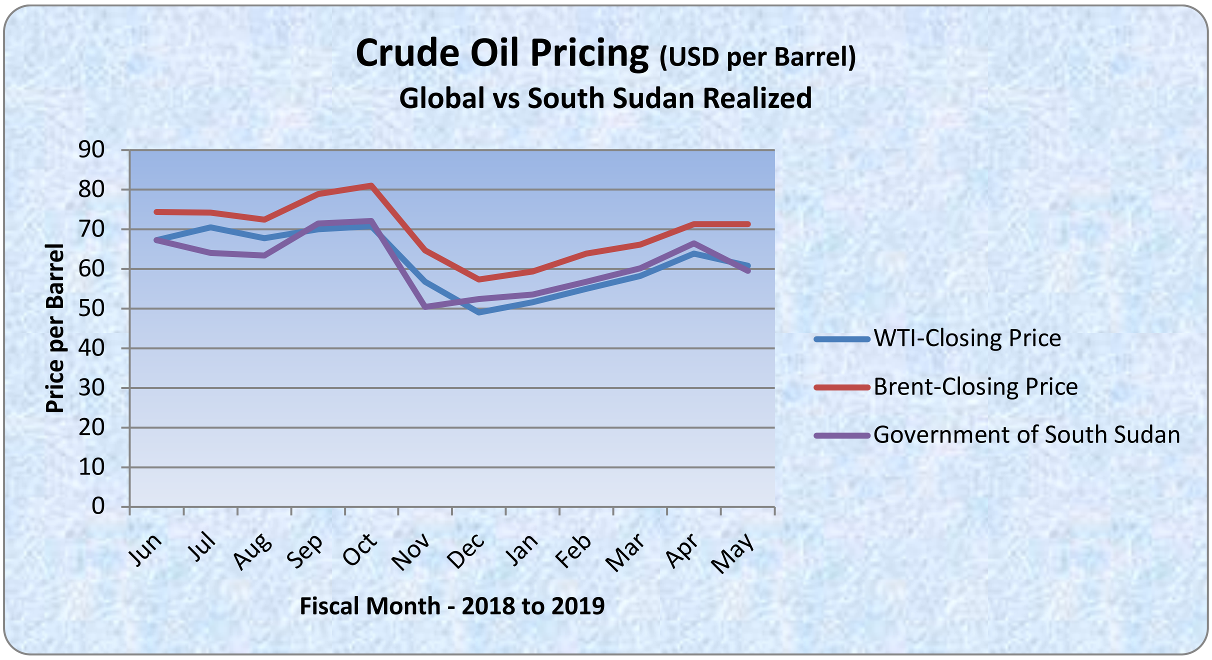
OPEC kept its 2020 economic and oil demand growth forecasts steady and was more upbeat about the outlook.

"On the positive side, the global trade slowdown has likely bottomed out, and now the negative trend in industrial production seen in 2019 is expected to reverse in 2020."

1.3 Crude Oil Price Outlook

The Dated Brent crude oil price upon which all South Sudan sales are based has been steady at an average of 70 USD per barrel.
A remarkable strength in the shale industry will trigger a rapid transformation of global oil markets, according to the EIA's annual crude oil price outlook. They expect US crude oil exports overtake Russia and get closer to Saudi Arabia, contributing to greater diversity of crude oil supply.

The US Shale is altering the future of oil refiners. Barrels of shale oil are generally lighter than the average crude slate. It means they require a less complicated refining process.



Graph 3: Brent vs. West Texas Intermediate (WTI) Price

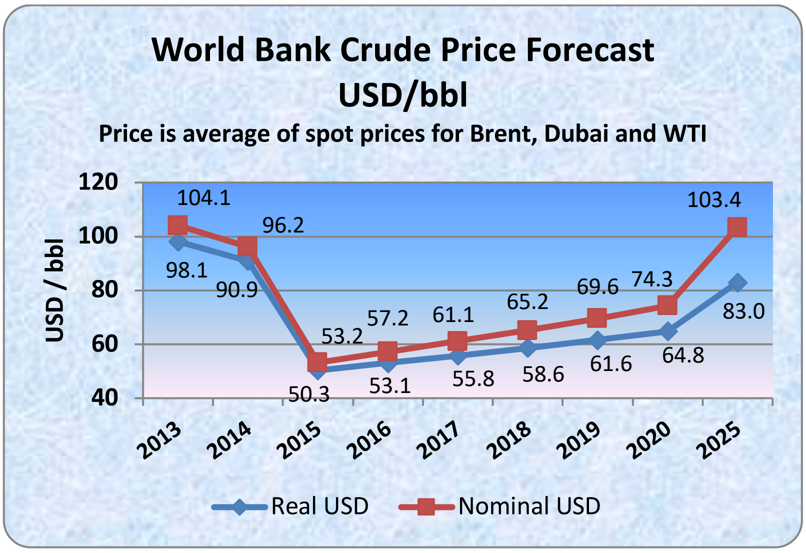
EIA Forecast – EIA forecasts Brent prices will average $65/b in 2020 and $68/b in 2021. In the first half of 2020, EIA expects global oil prices to be affected by both the downward price pressures of relatively weak oil market balances and by the upward price pressures of geopolitical risk. This forecast assumes that Brent crude oil prices will decline in early 2020, falling from a January average of $67/b to an average of $62/b in May 2020, as risk premiums slowly fade. EIA does not forecast supply disruptions, and any physical supply disruptions would likely cause prices to be higher than this forecast. Beginning in mid-2020 and into 2021, EIA expects that tightening market fundamentals will be the main driver of upward price pressures, with forecast Brent prices increasing to $69/b at the end of 2021 and averaging $68/b for the year

Goldman Sachs Forecast – Goldman said it now expected Brent crude to average $63 per barrel in 2020, with West Texas Intermediate seen at $58.50 per barrel. The so-called long-term anchor price for Brent was set at $55 per barrel, with WTI pegged at $50 per barrel.

World Bank Forecast – The World Bank expects oil prices to average $67 a barrel this year and next, down $2 compared to projections from June last year, the bank said in its Global Economic Prospects report, in which it also revised down its global growth projections amid "darkening skies" for the global economy.

Oil prices were highly volatile in the second half of 2018, with sharp plunges toward the end of 2018, chiefly due to supply-side factors, the World Bank said. Last year, oil prices averaged $68 a barrel, slightly lower compared to the bank's forecast from June 2018, but 30 percent higher than the average price of oil in 2017.

"Oil prices are expected to average $67/bbl. in 2019 and 2020, $2/bbl. lower than June projections; however, uncertainty around the forecast is high," the World Bank said in its January 2019 Global Economic Prospects report.

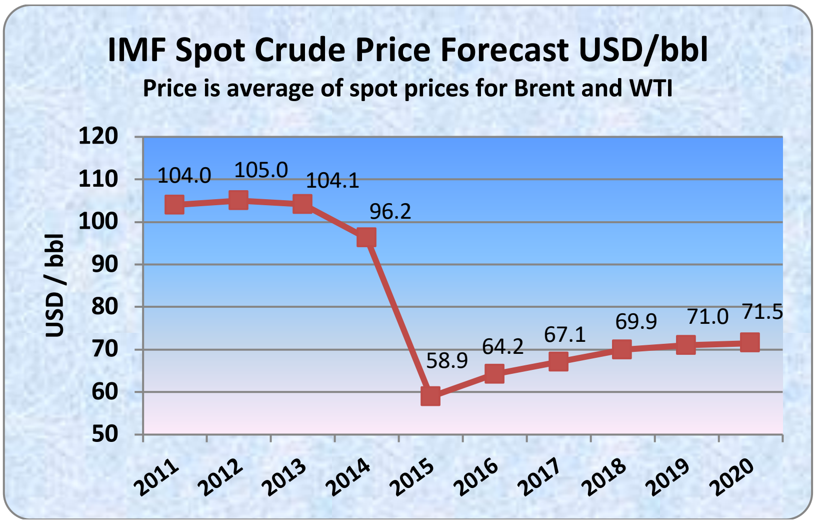


Graph 4: World Bank Price Forecast

IMF Forecast – Brent crude oil prices will average $65.15 per barrel in 2019 and $62 per barrel in 2020 according to the most recent forecast from the US Energy Information Administration's monthly Short-Term Energy Outlook (EIA). This reflects an upward revision of $2.37 per barrel for 2019 compared to the previous estimate.

- Looking out to 2020, the IMF in its Primary Commodity Prices Projections released in July asserted that after modest growth in 2018, the nominal price of Brent crude will increase to $53.5/barrel by 2020 and West Texas Intermediate to $50.36/barrel.

Oil price forecasts depend on the interaction between supply and demand for oil on international markets. Among the most important supply-side factors weighing on pricing expectations are US shale oil production, US crude oil stocks, and OPEC oil supply.



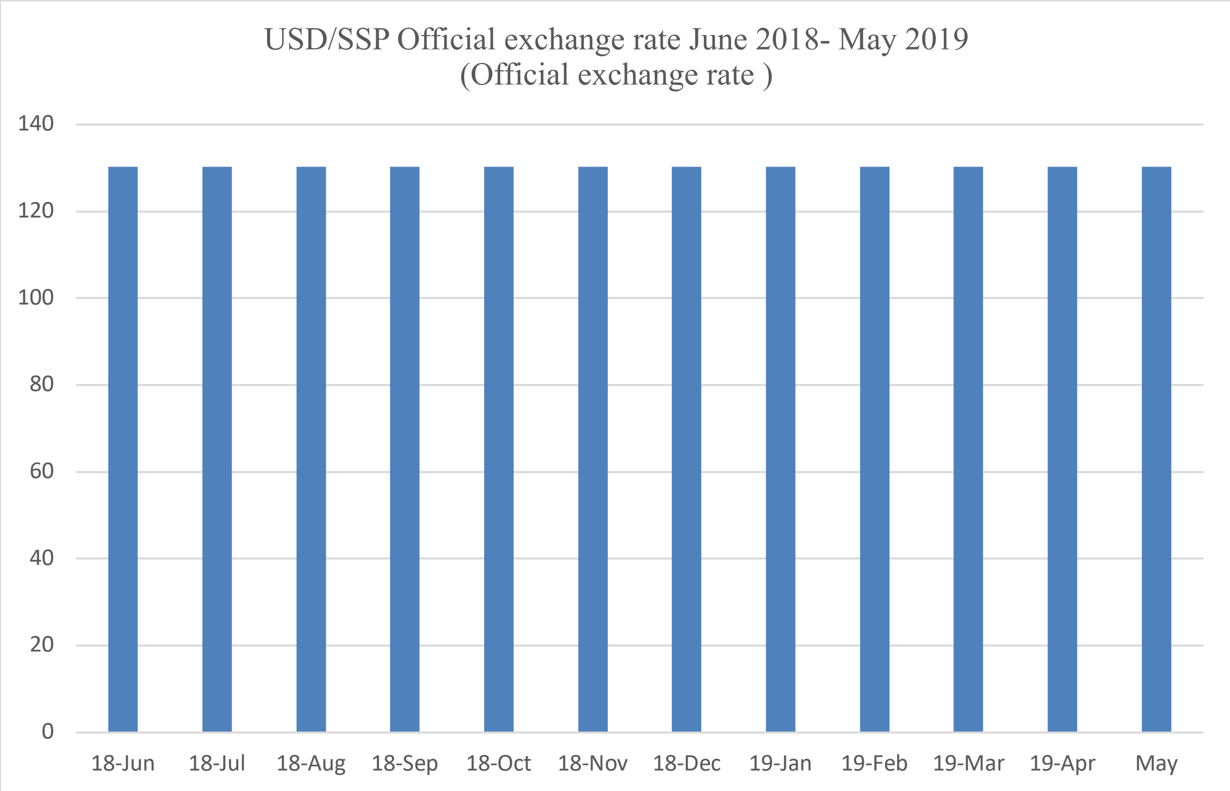
Graph 5: IMF Spot Price Forecast

It is clear that the prediction of future oil prices is a difficult and complex exercise which is subject to many different political, geographical, financial and operational variables. Nonetheless, the longer term price forecast by each of these reputable organizations suggest that crude oil prices are expected to remain in the low \$55-\$65 range in the near term and gradually rise towards the end of the decade.

Fundamental market changes are here to stay with lower demand, increasing energy efficiencies, alternative energy forms, and increased long term supply. **South Sudan**, which relies heavily on crude oil production, recognizes the need to maximize its current petroleum assets while at the same time find ways to diversify its energy supply / demand, develop a national energy program and adjust to the new reality.

1.4 Currency Exchange Rates

South Sudan Exchange Rate – Since the end of June 2018, the USD to South Sudanese Pound (SSP) official exchange rate has been constant at 130.263 SSP/USD throughout the end of May 2019 as shown in Graph 7. All South Sudan oil sales are denominated in USD which offers some protection from the currency variation; however domestic payments could be impacted by the exchange rate differences as USD is converted to SSP.



Graph 7: USD / SSP Official Exchange Rate

1.5 Africa and the South Sudan Region

Africa– According the U.S. Energy Information Agency total 2018 African crude oil production was estimated at about 8.7MMbbl/d. The five largest producers – Nigeria, Angola, Algeria, Egypt and Libya accounted for more than 80% of African production. Of the 20 oil producing countries in Africa listed by the EIA, South Sudan ranks ninth in total crude oil output averaging 130,000 thousand barrels per day throughout 2018 to 2019.

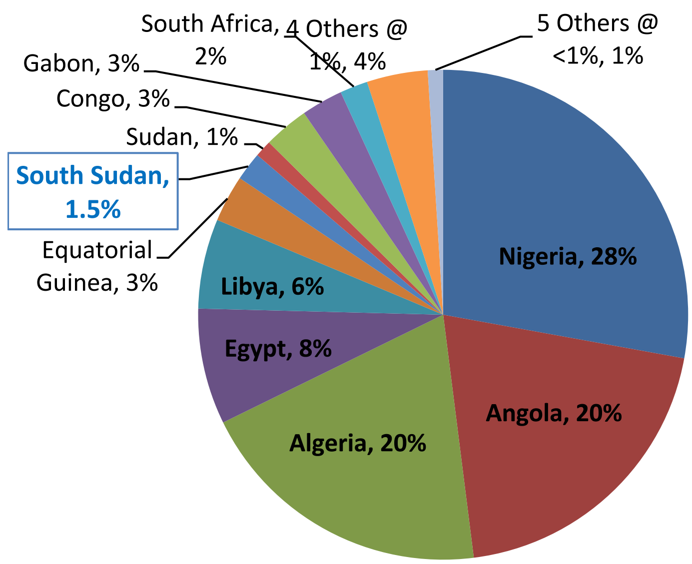


Chart 1: Africa Crude Oil Production Share – 2018

Overall production in Africa has declined 6% during the past year and combined with the sharp and possibly prolonged reduction in oil prices, it has required many countries to cut their budgets and reduce spending. The African Petroleum Producers Association, led by Angola and Algeria, is starting an initiative to seek collaboration between members of OPEC and other oil producers to reduce output and stabilize prices.

South Sudan – Since the restart of production in August 2018, South Sudan has had average production of 178Mbbl/d. Production peaked at 247Mbbl/d in early December 2013 and has averaged 130Mbbl/d during the past fiscal year. Sales are made under a confidential bid tender program and prices received have been competitive and transparent and based on international market conditions. Demand has been very good for South Sudanese Dar Blend crude oil, particularly in Asian markets such as China, Singapore and Japan as their refineries are capable of handling the highly acidic Dar Blend crude oil.

According to South Sudan's annual review of oil reserves, the country has about 1.08 billion Standard Tank barrels of developed and undeveloped recoverable reserves as of January 1, 2015. The majority of reserves are located in the oil-rich Muglad and Melut basins, which extend into both countries (Sudan & South Sudan).

Oil field exploration and development work in South Sudan has been hampered since early 2014 due to the security situation in the regions. With the current revitalized peace agreement, the government represented by the ministry of petroleum is working with the various investors to accelerate the exploration activities. Much work remains to be done in South Sudan to confirm additional oil reserves, to improve recovery factors and enhance production from the existing oil fields. With the recent improvements in regional security, the Ministry of

Petroleum looks forward to working closely with our producing partners in 2018-2019 to increase production for the mutual benefit of all.

PART 2 – PETROLEUM UPSTREAM FRAMEWORK AND ANALYSIS
April 2013 to May 31, 2014

2.1 Republic of South Sudan – Petroleum Legislation and Regulations

2.1.1. 2012 Petroleum Act Overview

- The Act has 21 chapters and 100 sections covering upstream – ownership of petroleum is vested in the people and managed by the Republic of South Sudan for their benefit;
- The Ministry of Petroleum is responsible for the management of the petroleum and Gas sector;
- Emphasis is on maximum recovery within a framework:
  - providing for "prudent operations",
  - using best international practices,
  - ensuring safety, security and protection of the environment, and
  - requiring transparency, accountability and ethical behavior, on the part of licensees/contractors and Government;
- The EPSA (TA) Transitional Agreement contractual regime continues with certain key provisions of these agreements made part of the legislation;
- A licensing regime for reconnaissance activities, installers and operators of transportation systems (including pipelines) is provided for based on an open and transparent bidding process.

Highlights & Current Status

- Safety and environment put primary responsibility on the contractor;
- The Act endorses the concept of "*local content*", using South Sudanese, if competent and available, to fill skilled and unskilled positions;
- The Act affirms Ministry of Petroleum responsibility for administration, implementation and enforcement;
- The Act provides for broad regulatory powers to legislative regime;
- The Act has been enacted and has been in force since July 2012.

2.1.2. Petroleum Revenue Management Act

The Petroleum Revenue Management Act (PRMA) establishes a formalized structure for the distribution of petroleum revenues to:

- immediate budgetary needs;
- savings including revenue stabilization and future generations, and;
- Direct transfers to petroleum producing states and affected communities.

It establishes a high standard for reporting requirements for both the Government and oil companies, with the overarching principle of transparent and accountability management.

The Act was approved by South Sudan's two houses of parliament and was signed into law by the President of the Republic of South Sudan on November 10, 2013.

2.1.3. Petroleum Regulations

- The Health, Safety and Environment Systems regulation was signed into law by the Minister of Petroleum on March 31, 2015. The regulations provide for:
  - Contractors to develop, implement, maintain, comply and ensure compliance with an adequate and effective management system
  - Must follow a "Plan – Do – Check – Act" framework
  - Must fit into the over-all management system framework
  - Must follow the Environmental and Social Impact Assessment (ESIA) for the area involved
  - Must be site specific for important stages in the life-cycle of petroleum activities

  The regulation will better enable and support the ministry's HSE group to monitor and assess the contractors HSE performance against a defined management system and when combined with the administrative penalties program that is currently being developed, give the government extremely effective tools for compliance and enforcement.

- Amendments to the Petroleum Act 2012 have been drafted to enable a regulatory regime for charging and collecting administrative penalties and are under review by stakeholders; the draft regulation putting the regime into effect is also being prepared simultaneously with the draft statutory provisions.
- Four Petroleum Regulations are in various stages of development:

A- Occupational health and safety,
B- Records & reporting,
C- Drilling & production, and
D- Graticulation and licensing.

2.2 Exploration & Production Sharing Agreements (EPSA) Overview

The map in Figure 3 outlines the areas of current petroleum activities in the Republic of South Sudan.

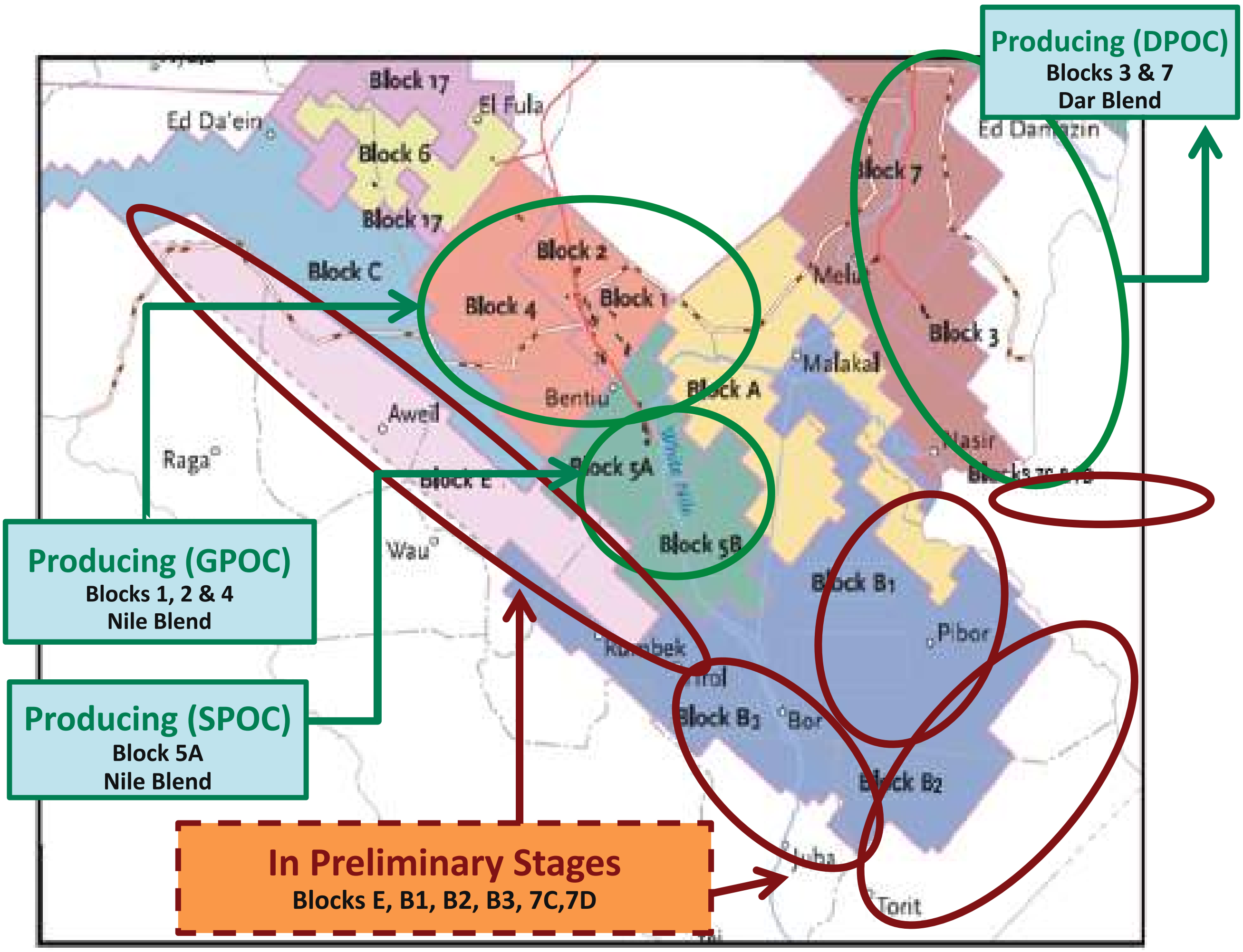


Figure 3: South Sudan Petroleum Blocks

The Republic of South Sudan has entered into or is negotiating six agreements with foreign investors for the exploration of the country's petroleum reserves. Crude oil production is being realized under three agreements and the remaining three are still in various stages of the complex negotiation phase. These production and potential exploration areas include:

Blocks 1a and 1b – Greater Pioneer Operating Company (GPOC) – former Unity State.
Blocks 1a and 1b are located in former Unity State where the Nile Blend crude oil is produced from some 283 wells. Final oil processing is done at the Heglig facilities in Sudan prior to flowing into the larger Nile Blend export stream via the GNPOC pipeline to the marine terminal in Port Sudan and onwards to international markets. The producing wells are located in several different oil fields with varying qualities which are blended to average 34 API, 0.06% Sulfur. Highlights of the Blocks 1a and 1b EPSA are shown below:

Greater Pioneer Operating Company (GPOC)		
Development Blocks 1b and 2b		
Operating Costs	Recovered in year incurred	
Capital Costs	Recovered over four years	
Cost Oil Maximum	40%	
Excess Cost Oil	RSS 100%	
Profit Oil	60%	
Profit Oil Sharing	RSS	Contractor
< 25,000 bbls / day	61.5%	38.5%
> 25,000 bbls / day; < 50,000 bbls / day	71.0%	29.0%
> 50,000 bbls / day	80.0%	20.0%
Exploration Blocks 1a, 2a and 4		
Operating Costs	Recovered in year incurred	
Capital Costs	Recovered over four years	
Cost Oil Maximum	45%	
Excess Cost Oil	RSS 100%	
Profit Oil	55%	
Profit Oil Sharing	RSS	Contractor
< 25,000 bbls / day	60%	40%
> 25,000 bbls / day; < 50,000 bbls / day	70%	30%
> 50,000 bbls / day	80%	20%

Table 2: GPOC EPSA Fiscal Terms

Block 5A – SUDD Petroleum Operating Company (SPOC) – former Unity State

Block 5A is located in former Unity State and has some 55 producing oil wells. Crude oil designated as Nile Blend flows to the Heglig facilities in Sudan for final processing prior to export through the GNPOC pipeline. Due to the heavier crude oil characteristics, Block 5A production is typically restricted to about 10% of the total GNPOC throughput in order to not significantly degrade the total oil volumes. Highlights of the Block 5A EPSA are shown below:

SUDD Petroleum Operating Company Limited (SPOC)		
Block 5A		
Operating Expenses	Recovered in year incurred	
Exploration Expenses	20% per financial year	
Development Expenses	20% per financial year	
Cost Oil Maximum	40%	
Excess Cost Oil	Shared as per Profit Oil	
Profit Oil	60%	
Profit Oil Sharing	RSS	Contractor
< 25,000 bbls / day	71.5%	28.5%
> 25,000 bbls / day; < 50,000 bbls / day	72.5%	27.5%
> 50,000 bbls / day; < 100,000 bbls/day	76.25%	23.75%
> 100,000 bbls / day	81.25%	18.75%

Table 3: SPOC EPSA Fiscal Terms

Blocks 3 & 7 – Dar Petroleum Operating Company (DPOC) – former Upper Nile State.

Blocks 3 & 7 are located in former Upper Nile State and have some 618 oil wells producing the heavier and acidic Dar Blend crude. The crude oil is initially processed at the DPOC field processing facilities in Palouge prior to passing to the Al Jabalain central processing facilities across the border in Sudan for final processing and water removal. The oil then enters the Petrodar pipeline for transport to the Port Sudan marine terminal and onward to the international markets. The producing wells are located in several different oil fields with varying qualities which are blended to average 26 API, 0.1% Sulfur. Highlights of the Blocks 3 & 7 EPSA are shown below:

Dar Petroleum Operating Company (DPOC)		
Development Block 3D		
Operating Expenses	Recovered in year incurred	
Exploration Expenditures	25% per financial year	
Development Expenditures	25% per financial year	
Cost Oil Maximum	50%	
Excess Cost Oil	Shared as per Profit Oil	
Profit Oil	50%	
Profit Oil Sharing	RSS	Contractor
< 10,000 bbls / day	64%	36%
> 10,000 bbls / day; < 15,000 bbls / day	67%	33%
> 15,000 bbls / day; < 20,000 bbls / day	77%	23%
> 20,000 bbls / day	80%	20%
Exploration Blocks 3E		
Operating Expenses	Recovered in year incurred	
Exploration Expenditures	25% per financial year	
Development Expenditures	25% per financial year	
Cost Oil Maximum	45%	
Excess Cost Oil	Shared as per Profit Oil	
Profit Oil	55%	
Profit Oil Sharing	RSS	Contractor
< 25,000 bbls / day	70%	30%
> 25,000 bbls / day; < 50,000 bbls / day	73%	27%
> 50,000 bbls / day; < 75,000 bbls / day	75%	25%
> 75,000 bbls / day	80%	20%
Exploration Blocks 7E		
Operating Expenses	Recovered in year incurred	
Exploration Expenditures	25% per financial year	
Development Expenditures	25% per financial year	
Cost Oil Maximum	45%	
Excess Cost Oil	Shared as per Profit Oil	
Profit Oil	55%	
Profit Oil Sharing	RSS	Contractor
< 25,000 bbls / day	70%	30%
> 25,000 bbls / day; < 50,000 bbls / day	72%	28%
> 50,000 bbls / day; < 75,000 bbls / day	74%	26%
> 75,000 bbls / day	80%	20%

Table 4: DPOC EPSA Fiscal Terms

Block B1– Open

There is no production from this block – The block still remains open for any interested investors.

Block B2 – Nile-Orange

Exploration and Production Sharing Agreement (EPSA) was signed between the Government of the Republic of South Sudan, represented by the Ministry of Petroleum on the one hand and Strategic Fuel Fund (SFF) of South Africa and Nilepet on the other hand in May 2019

Block B3 – Oranto

Exploration and Production Sharing Agreement (EPSA) was signed between the Government of the Republic of South Sudan, represented by the Ministry of Petroleum on the one hand and Oranto Company Ltd and Nilepet on the other hand in July 2018.

Block E1 and E2 - Open

There is no production from this block – The block still remains open for any interested investors.

2.3 Crude Oil Reserves and Analysis

A recent comprehensive reserve assessment has not yet been independently completed by the Government. The MoP Upstream department has been working hard in consultations with the Joint Operating Companies (JOCs) to improve the accuracy of the reserve estimate. Data available from the JOCs shows total reserves of 938.38 million Standard Tank Barrels (MMSTB) as at January 1, 2019.

Field	Petroleum Initially in Place (PIIP) (MMSTB)	Recovery Factor (RF) %	Estimated Ultimate Recovery (EUR) (MMSTB)	Cumulative Production (MMSTB)	Reserves (MMSTB)		Total Reserves (MMSTB)
					Developed	Undeveloped	
DPOC Blocks 3 & 7	**5,743**	**24**	**1,316**	**749**	**431.40**	**135.40**	**566.80**
GPOC Blocks 1, 2, 4	**2,526.98**	**34**	**868.98**	**664.93**	**117.70**	**85.80**	**203.50**
SPOC Block 5A	**2,655**	**8**	**221**	**43**	**79.13**	**98.95**	**178.08**
Totals	**10,924.98**	**22**	**2,405.98**	**1,456.93**	**238.23**	**320.15**	**938.38**

Table 5: South Sudan Crude Oil Reserves

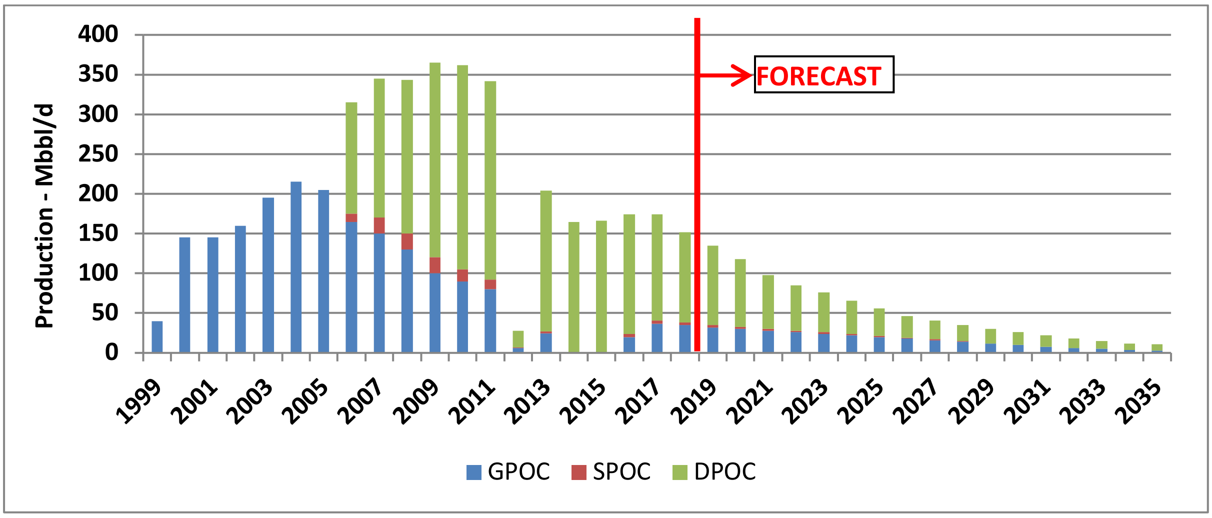
The net change in reserves for the year 2019 for each of the producing areas is shown in the following Table 7. The net change reflects a reduction for the production for the year offset by any reserve additions or adjustments for the period.

Crude Type	Contractor	Block	2018 Reserves (MMbbl)	2019 Reserves (MMbbl)	Net Change
Nile Blend	GPOC	1a, 1b	205.00	203.50	-2.50
Nile Blend	SPOC	5A	178.08	178.08	0
Sub Total			**383.08**	**381.58**	**-2.50**
Dar Blend	DPOC	3, 7	619.60	566.80	-52.80
Total			**1,012.68**	**948.38**	**-55.30**

Table 6: Net Change in RSS Crude Oil Reserves

2.4 Production Forecast and Recovery Factors

The graph below shows the average actual daily production to date and the projected decline rates for all three producing blocks through to 2035 without further reinvestment or new investments to replace reserves.



Graph 8: Historical Production & Production Forecast

Future investments to optimize oil field operations, implement improved / enhanced oil recovery schemes and initiate new exploration has the potential to significantly increase the levels of production and extend the life of the fields.

Production Forecast

- Production is predicted to continue at reduced levels from 166-120 thousand Bopd for the remainder of 2019 with the resumption of production from the former Unity State Nile Blend oil fields.
- Production declines are expected over the next 5 years without further reserve replacement or production enhancements. This is a normal production reserves decline pattern without additional investment.
- Most future production derives from the Dar Blend fields in former Upper Nile State.
- The production profile takes into account only the estimated production from the fields currently active in production.
- Possible new discoveries and increased recovery rates from **IOR / EOR** projects may give higher future production.
- Additional participation in the fields, including new foreign investment and new technology, can materially improve the overall production forecast curve, as new investment will focus on production growth.

2.5 September 2012 Cooperation Agreements – South Sudan and Sudan

On September 27, 2012 the Government of the Republic of South Sudan and the Government of the Republic of the Sudan entered into a number of agreements to cooperate across a range of areas of common interest and committed themselves to implementing these agreements including "The **Agreement on Oil and Related Economic Matters (AOREM)".** Collectively these agreements are known as the **2012 Cooperation Agreements**.

Oil Agreement Highlights – The principle highlights of The Agreement Concerning Oil and Related Economic Matters are: -

- South Sudan would have access rights to the GNPOC (Nile Blend) and Petrodar (Dar Blend) processing and transportation facilities located on the territory of Sudan;
- South Sudan would provide their proportionate share of pipeline fill which would be redelivered to South Sudan at the expiry of the agreement;
- Agreement on financial arrangements (United States Dollars per barrel) are:

United States Dollars	GNPOC (Nile Blend)	Petrodar (Dar Blend)
Processing Fee	1.60	1.60
Transportation Fee	8.40	6.50
Transit Fee	1.00	1.00
Fee Sub Total	**11.00**	**9.10**
Transitional Financial Arrangement	15.00	15.00
Total Fees	**26.00**	**24.10**

Table 7: Summary of Financial Arrangement with Sudan

- All payments will be based on the net barrels lifted at the Port Sudan marine terminal;
- The maximum cumulative amount of the **Transitional Financial Arrangement is USD 3.028 billion**;
- The agreement will remain in force for a period of three years and six months as of the date of the first oil lifting at the marine terminal and a bill of lading issued (Start June 2013; Expires December 2016). But this agreement is being extended for the following reasons:
  - The need of South Sudan to continue exporting its crude oil through Sudan's pipelines to export terminals.
  - Settle the balance of the TFA
  - Due to the payment of the TFA, low oil prices might deprive South Sudan from any revenues from oil and hence the extension provided for scaling the payment according the oil prices
- AOREM was again extend in December 2019 to be effective from January 1st 2020 to end of March 2022.

Therefore, the two countries leaders have to amend the agreement to reflect the changes of global oil price and production decline, to extend agreed period in 2012 agreement.

PART 3 – TRANSPARENCY

Now and for the Future

3.1 International Best Practices

On July 9, 2011 the Ministry of Petroleum, Republic of South Sudan assumed full and complete responsibility for petroleum operations on its territory. Petroleum operations are managed on behalf of the people of South Sudan and the responsibilities and obligations of the MoP are enshrined in the Transitional Constitution and guided by the Petroleum Act 2012.

The MoP is dedicated to forming an institutional structure and establishing business relationships in an open and transparent manner. Transparency in Marketing is the cornerstone to growing a new international customer base mandated to conform to the highest ethical standards, as well as to ensure oil revenue cash flows are conducted through proper channels. Examples of Transparency in our Marketing Team practices:

Activity	Benefit
• Formal Sales Contracts	Detailed and Comprehensive
• Limited Direct Negotiations	Only on Short Notice Avails
• Tender Approach to Selling	Allows for Open Bidding
• Guidelines for Awarding Cargoes	All Bidders Follow Same Rules
• Marketing Team Membership	Interdisciplinary Across Ministries
• Floating International Pricing	Established Industry Benchmark
• Customer Prescreening Application	Serves a Background Check
• Bids Reviewed by All Members	Sign off by Each Member
• All Revenues Directly to Finance	MoFEP Approved Accounts
• Documented Meeting Minutes	Recaps All Issues Discussed
• Ministerial Approval of Awards	Documented Official Approval

3.2 Pre-established Award Criteria

Clearly established criteria to evaluate competing bids for RSS monthly crude oil sales has been developed and implemented by the Marketing Team. While price is the single most important factor, there are a number of important additional factors considered as well to safeguard RSS interests, as shown below:

Republic of South Sudan - Ministry of Petroleum
Bid Evaluation Criteria
Pre-Approval Marketing Team pre-agree list of companies allowed to participate in tender
Transparency All Bids received within the Tender timeline are tabled for review by Team
Conformity Bids received that do not conform to Tender conditions may be eliminated
Commitment Intention is to commit all cargoes offered in Tender if acceptable conditions
Selling Priority Awards should be announced in date order to avoid distressed sale later
Price Pricing is a major (not only) factor in awarding cargoes to winning Bidders
Security Financial security is a major (not only) factor in cargo awards
Diversification Spreading exposure to multiple Bidders is a factor in awards
Target Buyers Recognition of large end user factored in if relationship adds value to RSS
Negotiation Follow up direct negotiation should be limited to clarifying bid submissions
Payment Early payment options considered to meet government operational needs

3.3 Other Transparency Initiatives

In addition to the marketing activities listed above related to the direct selling of crude oil, MoP is continuing to emphasize transparency in all of its business practices. For example, this is the fifth annual edition of the marketing report which provides comprehensive information to stakeholders, interested parties and the public on the crude oil marketing activities of the Ministry Petroleum. The Petroleum Revenue Management Act is strongly supported by the MoP and provides further guidance on crude oil revenue management as well as additional transparency under new reporting obligations. The implementation of the Extractive Industries Transparency Initiative (EITI) has also been strongly supported by the Ministry and, although progress to date has been limited due to the capacity constraints of the Ministry as well as the need to address other urgent priorities, the MoP and the government of South Sudan continue to remain committed to its effective implementation.

The Ministry has also initiated the practice of providing periodic press releases which outline recent sales and production volumes, crude oil revenues, tariff and assistance fee payments to Sudan as well as other relevant marketing data. The Ministry is continuing to work to improve its website to enable much more information about Ministry activities to be disseminated to the public.

PART 4 – MARKETING PERFORMANCE

April 2018–May 2019

4.1 The Marketing Team

A pre-selected interdisciplinary group representing the Ministry of Petroleum, Ministry of Finance and Economic Planning, Ministry of Justice, and the Central Bank of South Sudan meet on a monthly basis to review crude marketing issues, consider sales strategy, address customer issues, and make the award recommendations for oil sales contracts. Members of the marketing team are:

Hon Mayen Wol Jong, Chairman
Undersecretary MoP

Dr. William Anyak Deng
Director General of Petroleum Authority

Mr. Angok Daniel
Legal Advisor, MoP

Mr. Simon Chol Martin
MoP member

Mr. Jackson Wilson Bona
Ministry of Finance & EP Member

Mr. Chol Deng Majok
MoP member

Mr. Loi MajakMapuor
Ministry of Finance and Economic Planning – Member

Mr. Simon Kiman Lado
Ministry of Finance and Economic Planning - Member

Mr. Moses Makur Deng
Bank of South Sudan - Member

Mr. Peter Malual Mading
Central Bank of South Sudan - Member

Mr. Abui Alfred
Minister's Office, MoP– Member

Mr. Barnaba Tito
MoP Member

Mr. Manase Machar Bol
MoP Member

Mr. Gatkuek Tung
Legal Advisor, MoP

Mr. Akuei Ajou Akuei
MoP Member

Ms. Nyawut LothAdija
MoP Member

Mr. TiberiousOhide
MoPMember

Mr. Khidir Ajak Deing
MoP Member

This membership list will be expected to change from time to time and develop as reassignments within the various institutions will occur and additional experienced marketers from the Republic of Sudan are identified and recruited to strengthen the crude oil marketing function.

4.2 Marketing and Transportation

The following table summarizes the crude oil marketing activity in South Sudan for the reporting period of June 1, 2018 to May 31, 2019

June 1, 2018 - May 31, 2019	Cargoes	Volume (MMbbl)	USD	SSP	Percent
Total Crude Oil Sales	17	11,928,564	733,845,259.05	95,590,683,443.85	100%
Net Republic of South Sudan Sales	**17**	**11,928,564**	**733,845,259.05**	**95,590,683,443.85**	**100%**

Table 8: Summary of RSS Crude Oil Marketing Activity

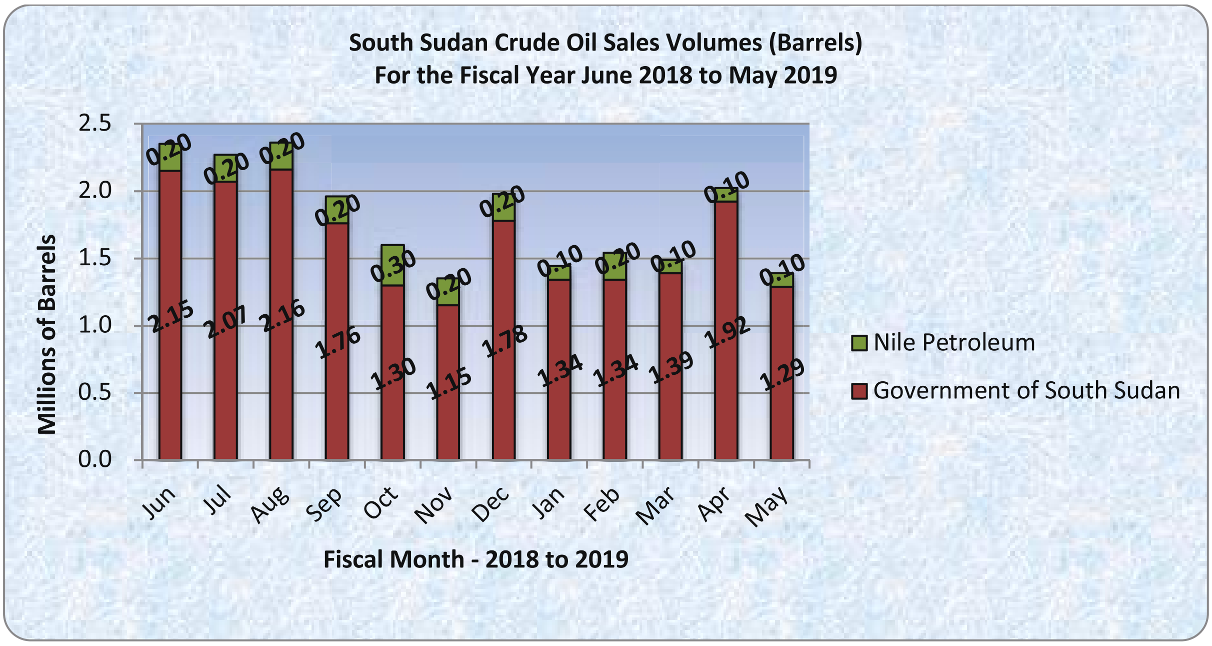
A total of 11.93 MMbbl of crude oil valued at USD 733.85 million (95.59 billion SSP) was sold during the current reporting period at an overall average net price, excluding Nilepet sales, of USD 61.52 per barrel. During the previous reporting period of June 2017 and May 2018 South Sudan sold 8.85 MMbbl of crude oil at an average price of USD 55.94 per barrel for total revenue of USD 495.08 million. Therefore, production increased from 8.85 MMBBLS in 2017-2018 fiscal year to 11.93 MMBBLS in 2018-2019 rapidly as there is a sharp rise in crude oil prices in the international market.

Net crude oil revenues received into the Republic of South Sudan, Ministry of Finance and Economic Planning bank accounts for the reporting period were USD 733.85 million (95.59 billion SSP) from the sale of 11.93 MMbbl of crude oil at an average net price of USD 61.52. All payments for oil loaded under the RSS name onto our customer ships up to the end of May 2019 have or will have been collected by the early June 2018. According to our standard international sales contract, payment is made by the buyer 30 days after the crude oil cargo has been loaded on board the vessel.

The entitlement sales volumes by month that were allocated to the RSS for the reporting period of June 2018 to May 2019 are shown in the first line of Table 10 below and total 19.65 MMbbl. After sales volumes attributed to Nilepet's equity participation in the production agreements were deducted. Republic of South Sudan net sales including Nilepet was 21.75 MMbbl.

Sales Volumes by Month – RSS Share (MMbbl)													
	2018							**2019**					
	Jun	**Jul**	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**	**Jan**	**Feb**	**Mar**	**Apr**	**May**	**Total**
RSS Gross Sales	2.35	2.27	2.36	1.96	1.60	1.35	1.98	1.44	1.54	1.49	2.02	1.39	21.75
Nilepet Sales	0.20	0.20	0.20	0.20	0.30	0.20	0.20	0.10	0.20	0.10	0.10	0.10	2.10
RSS Net Sales	**2.15**	**2.07**	**2.16**	**1.76**	**1.30**	**1.15**	**1.78**	**1.34**	**1.34**	**1.39**	**1.92**	**1.29**	19.65

Table 9: Crude Oil Sales Volumes by Month – RSS Share



Graph(10) Crude Oil Sales Volumes by Month – RSS Share

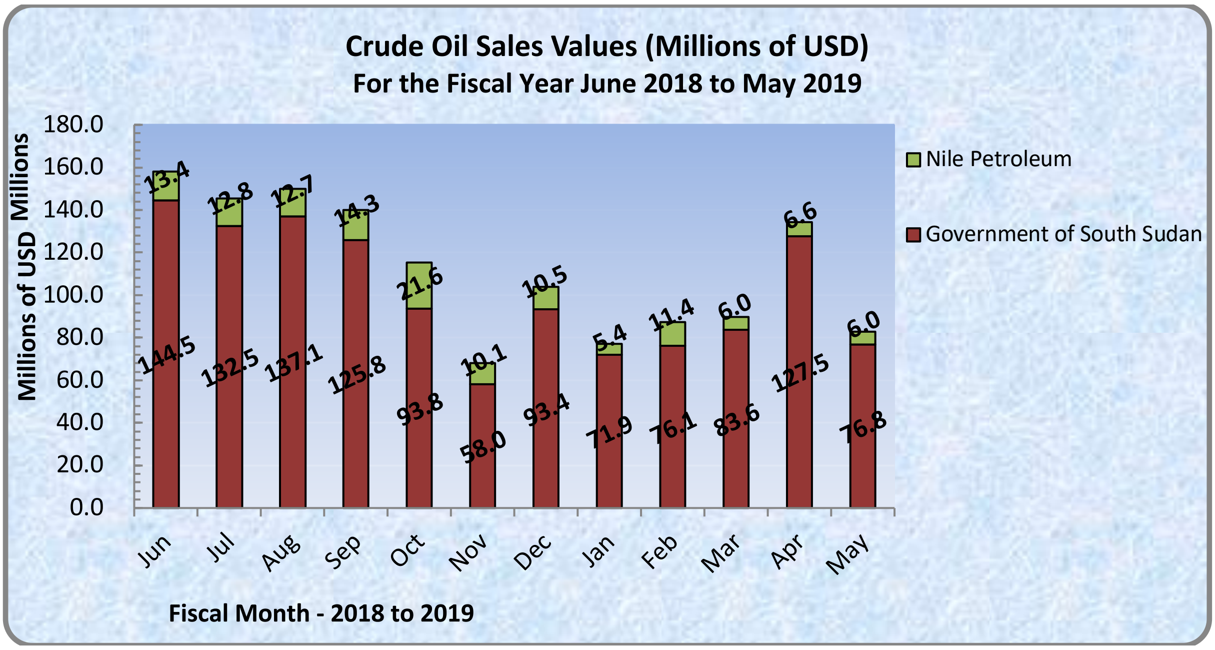
NOTE: The sales activity is uneven month over month. The reason is that the sales month is adjusted to reflect the actual loading date e.g. a cargo contracted for December 2018 entitlement was loaded on the first day of January 2019 and is considered a January cargo for purposes of this table since January pricing will be used.

The allocation of monthly gross crude oil USD revenues received for the reporting period of June 2018 to May 2019 is shown in Table 11.

Crude Oil Revenues by Month – RSS Share (MMUSD)													
	2018							**2019**					
	Jun	**Jul**	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**	**Jan**	**Feb**	**Mar**	**Apr**	**May**	**Total**
RSS Gross Sales	157.97	145.28	149.81	140.14	115.39	68.09	103.91	77.21	87.44	89.65	134.15	82.71	1,351.76
Payable to Sudan													**0.00**
Loan Repayments													**0.00**
Nilepet Sales	13.44	12.80	12.70	14.30	21.64	10.09	10.50	5.36	11.36	6.02	6.64	5.95	130.79
RSS Net Sales	144.52	132.48	137.12	125.84	93.76	58.01	93.41	71.85	76.09	83.64	127.51	76.76	1,220.97

Table 10: Crude Oil Revenues by Month – RSS Share

Graphical illustration of Crude oil sales values (in millions USD) for the fiscal year June 2018 to May 2019 showing Nilepet and RSS Crude oil revenues.



Graph(11) Crude Oil Sales Values by Month – RSS Share

The MoP Marketing group has assumed full responsibility for the marketing of the country's crude oil during the past four years since South Sudan independence and has gained valuable experience during this time. The group continued to receive some administrative and reporting guidance from our Petroleum Advisors, particularly in the area of management reporting. The multi-disciplinary Marketing Team consisting of members from MoP, MoFEP, BOSS, and MOJ meet monthly to review issues and evaluate and recommend the winning bidders and it provides important guidance and oversight to the crude oil marketing function.

4.3 South Sudan Crude Oil Entitlement

The Exploration and Production Sharing Agreements (EPSAs) that are in place in South Sudan provide for the sharing of production on a proven equitable basis. The production sharing terms of our agreements are consistent with well-established arrangements in place in many other countries worldwide.

Production sharing is classified into two components:

1. Cost oil – Shared only by the equity owners in the oil fields
2. Profit oil – shared by the equity owners and the government of South Sudan

Production sharing is primarily based on three inputs:

1. Price
2. Production Volume
3. Operating and Capital Expenditures

Price – The oil price is a critical input as it determines the volume of oil that will be allocated to cost oil and thus the level of cost recovery that the contractor will realize. Oil volumes must be monetized in order to calculate the proportion of crude oil production that can be allocated to cost oil. When oil prices fall as they have during the past twelve months, more physical oil is allocated to cost oil to recover the same amount of expenditures.

Production Volumes – The volume of production is the cornerstone of production sharing. Higher volumes mean that there is more oil to share between the contractor and the government.

Operating and Capital Expenditures – The contractor is entitled to recover 100% of all eligible expenditures incurred on the producing property. Cost recovery is restricted to a maximum amount of the monetized crude oil in any month. For Dar Blend crude the cost recovery maximum is 45%-50% of the crude produced depending upon the license area of delivery. If the actual Monetized cost oil is less than the maximum allowed; the surplus allowance is allocated to and shared as profit oil in which the government of South Sudan will share. If the cost oil is greater than the maximum allowed, the excess costs are carried forward to be recovered in future periods.

	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19
FOB Price	$74.33	$74.35	$72.62	$78.85	$81.15	$64.74	$57.39	$59.46	$64.03	$66.12	$71.26	$71.12
Production (MMbls)	3.55	3.64	3.63	3.53	3.62	3.39	3.76	4.24	3.37	3.73	3.96	3.33
Expenditures (MM$)												
Operating	39.92	37.72	37.72	37.72	37.52	37.52	37.52	33.6	33.6	33.6	33.6	33.6
Capital	13.89	19.07	19.07	19.07	11.1	11.1	11.1	26.51	26.51	26.51	26.51	26.51
Total	53.81	56.79	56.79	56.79	48.62	48.62	48.62	60.11	60.11	60.11	60.11	60.11
Entitlement (MMbbls)												
RSS Profit Oil	1.94	2.01	2.01	1.95	2.00	1.65	1.96	2.3	1.41	1.90	1.86	1.90
Nilepet Cost Oil	0.07	0.07	0.07	0.07	0.07	0.09	0.09	0.09	0.12	0.09	0.09	0.06
Nilepet Profit Oil	0.06	0.06	0.06	0.06	0.06	0.05	0.06	0.06	0.04	0.05	0.05	0.06
Government Total	2.07	2.14	2.14	2.08	2.13	1.79	2.11	2.45	1.57	2.04	2.00	2.02
Contractor Oil	1.48	1.5	1.49	1.45	1.49	1.60	1.65	1.79	1.80	1.69	1.62	1.31
Total All Oil	3.55	3.64	3.63	3.53	3.62	3.39	3.76	4.24	3.37	3.73	3.62	3.33
Entitlement (%)												
RSS Profit Oil	54.65%	55.22%	55.37%	55.24%	55.25%	48.67%	52.13%	54.25%	41.84%	50.94%	51.38%	57.06%
Nilepet Cost Oil	1.97%	1.92%	1.93%	1.98%	1.93%	2.65%	2.39%	2.12%	3.56%	2.41%	2.49%	1.80%
Nilepet Profit Oil	1.69%	1.65%	1.65%	1.70%	1.66%	1.47%	1.60%	1.42%	1.19%	1.34%	1.38%	1.80%
Government Total	58.31%	58.79%	58.95%	58.92%	58.84%	52.80%	56.12%	57.78%	46.59%	54.69%	55.25%	60.66%
Contractor Oil	41.69%	41.21%	41.05%	41.08%	41.16%	47.20%	43.88%	42.22%	53.41%	45.31%	44.75%	39.34%
Total All Oil	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Table 11: Republic of South Sudan Crude Oil Entitlement

Monetized cost oil is less than the maximum allowed; the surplus allowance is allocated to and shared as profit oil in which the government of South Sudan will share. If the cost oil is greater than the maximum allowed, the excess costs are carried forward to be recovered in future periods.

Crude oil for sales purposes is shared between the government and contractor in cargo lots of either 600 thousand or 1 million barrels; therefore, actual monthly allocations for sales may differ from the calculated entitlement share resulting in an over or under lift position for the party which will be adjusted in the following period. Selected entitlement data for the reporting period, as reported by the contractor, is shown in the following table and is unaudited.

During the period of June 1, 2018 to May 31, 2019 South Sudan's crude oil entitlement has ranged from 58.31% to 60.66 %. Current entitlement is about 61.0%. The reason for the increased in the government's entitlement percentage is the rise in global oil price. As noted above, when the oil price increases, least oil is allocated to cost oil in which the government does not share, and more oil is allocated to profit oil in which the government does share. Nile Petroleum is an equity owner in the producing fields and shares in both cost oil and profit oil.

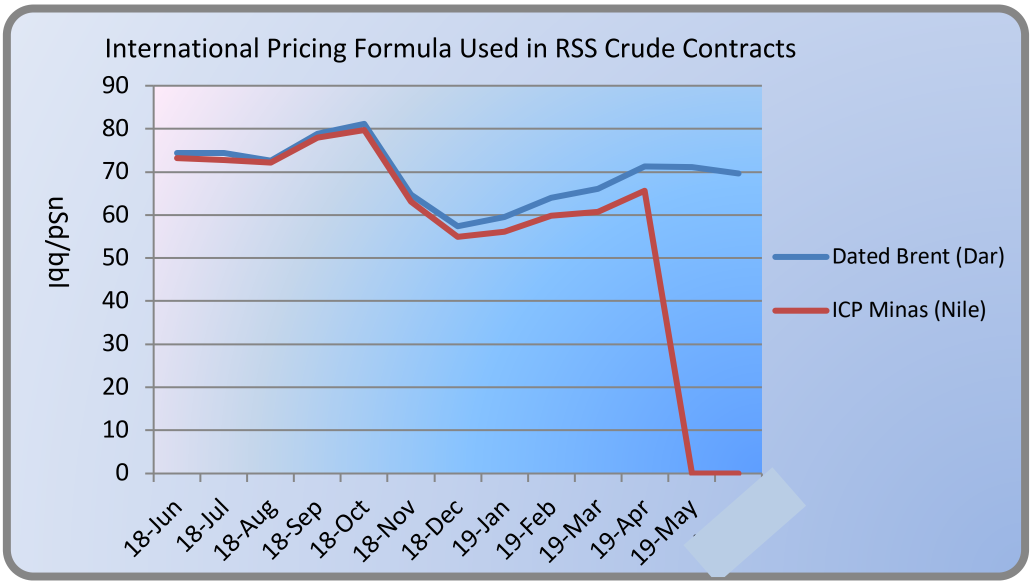
4.4 Market Prices Achieved

Brent crude oil prices, upon which all of the South Sudan Dar Blend oil sales are currently based, ranged from a high of $81.15 in October 2018 to a low of $59.46 in January 2019 before settling in the $64-71 range. The weighted average price for Dar Blend sales for the twelve month reporting period, excluding Nilepet sales, is $69.62. Despite the high price volatility during the reporting period, the marketing group was able to achieve favorable discount rates through the bid / tender process and therefore, obtain competitive prices for South Sudan crude oil. Nile Blend oil sales are based on the Indonesian Crude Price (ICP) Minas. Due to the resumption in the Unity oil fields, sales of Nile Blend Crude oil were realized during the reporting period; therefore, the average price for ICP Minas of $61.33 is shown in the table for the twelve-month period.

The table and graph below illustrates the average monthly official international reference prices for Dated Brent that were incorporated into our Dar Blend contract price formulas and for ICP Minas in our Nile Blend contract price formulas and reflect the sharp increases in global oil prices during the reporting period along with the calculated averages.

International Pricing Formula Used in RSS Crude Contracts							
2018	**Jun**	**Jul**	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**
Dated Brent (Dar)	74.33	74.35	72.62	78.85	81.15	64.74	57.39
ICP Minas (Nile)	73.2	72.81	72.1	77.96	79.71	63.06	54.88
2019	**Jan**	**Feb**	**Mar**	**Apr**	**May**		**Average**
Dated Brent (Dar)	59.46	64.03	66.12	71.26	71.12		**69.6183**
ICP Minas (Nile)	56.11	59.79	60.68	65.69	0		**61.3325**

Table 12: Dated Brent and ICP Minas Actual Crude Pricing



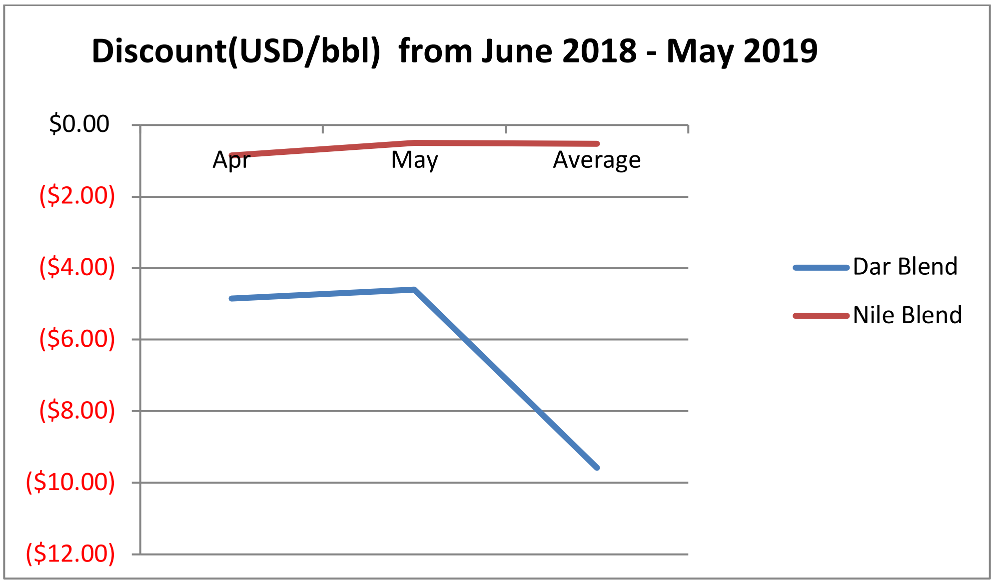
Graph 9: International Pricing – Brent vs. ICP Minas

4.5 Sales Price Differentials

The marketing group was able to maintain favorable sales price differentials or premium rates through its bid / tender process and therefore, obtain competitive prices in spite of the very difficult period of falling prices for benchmark crudes such as Brent. The realized weighted average price discount for all Dar Blend crude oil sold by the MoP marketing team, excluding Nilepet, was -$9.58 for the twelve month reporting period. This compares favorably with the -$23.01 discount achieved in the previous 2017-2018 reporting period when the marketing climate was more positive.

Realized Weighted Average Price Differential							
2018	**Jun**	**Jul**	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**
Dar Blend	($6.55)	($11.63)	($16.00)	($14.30)	($9.03)	($14.30)	($11.55)
Nile Blend	No Sales	No Sales	No Sales	No Sales	No Sales	No Sales	(0.23)
2019	**Jan**	**Feb**	**Mar**	**Apr**	**May**		**Average**
Dar Blend	($10.45)	($7.26)	($5.95)	($4.85)	($4.60)		($9.58)
Nile Blend	No Sales	No Sales	No Sales	(0.85)	(0.50)		(0.53)

Table 13: RSS Realized Weighted Average Price Differential



Graph 9: Discount (USD/bbl)

4.6 Global Customer Base

The MoP Marketing Team continued to work at maintaining the customer base for our crude oil to ensure competitive bidding and maximize prices. 59 customers, up from 39 one year ago and including both end users and oil traders, were allowed to bid on our crudes following screening, with seven companies winning one or more cargoes over the marketing period as shown in Table 15.

RSS Customers and Cargoes Loaded (Excluding Nilepet)							
2018	**Jun**	**Jul**	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**
Sudan	1						
Glen core/Trinity		1	1	1			
Sahara Energy		1		1		1	2
BB Energy					1		
Totals	**1**	**2**	**1**	**2**	**1**	**1**	**2**
2019	**Jan**	**Feb**	**Mar**	**Apr**	**May**		**Total (June 2018-May 2019)**
Glen core/ Trinity	1	1	1		1		**7**
Sudan							**1**
Sahara Energy		1	1				**7**
BB Energy				1			**2**
Totals	**1**	**2**	**2**	**1**	**1**		**17**

Table 14: RSS Crude Oil Customers and Cargoes Loaded

4.7 Customer Invitations

The following list of customers has been pre-approved by the Marketing Team to be considered as potential buyers of RSS crude oil and can be included in the monthly cargo tender. It should be noted that with the assistance of the Central Bank of South Sudan, a financial assessment of the required level of financial security has been established for each company, which appears on the right side column.

Invitation List		Activity	Type	Security
1.	Addax Energy	No Activity	Trader	SBLC
2.	AsconTimpet	No Activity	Trader	SBLC
3.	Augusta Energy	No Activity	Trader	SBLC
4.	Chi'an Wei Ltd	No Activity	Trader	SBLC
5.	China Oil	Award Winner	Refiner	PU + CL
6.	CNOOC	No Activity	Refiner	Open
7.	Concord Energy	No Activity	Trader	SBLC
8.	Glencore	Award Winner	Trader	SBLC
9.	Gunvor	No Activity	Trader	SBLC
10.	Investsouth (Triton Global Petroleum)	Bidder	Trader	SBLC
11.	Investsouth Co. Ltd	Bidder	Trader	SBLC
12.	Kepu	No Activity	Trader	SBLC
13.	Kernel Oil (Suisse Ltd)	Bidder	Trader	SBLC
14.	LENKOR	No Activity	Trader	SBLC
15.	LOTCO	No Activity	Trader	SBLC
16.	Mena Energy	No Activity	Trader	SBLC
17.	Mercuria	No Activity	Trader	SBLC
18.	Mitsubishi	No Activity	Refiner	SBLC
19.	Money Maker Management	Bidder	Trader	SBLC
20.	Nabta General Trading	Bidder	Trader	SBLC
21.	Nasdec General	No Activity	Trader	SBLC
22.	Petronas	No Activity	Refiner/Equity	SBLC
23.	Petro Diamond*	Award Winner	Trader	SBLC
24.	Royal Energy	No Activity	Trader	SBLC
25.	Safadi Group	No Activity	Trader	SBLC
26.	Sahara Energy	No Activity	Trader	SBLC
27.	Serha Oil	No Activity	Trader	SBLC
28.	Shell	No Activity	Refiner	Open
29.	SK Energy	No Activity	Refiner	SBLC
30.	SOCCAR	No Activity	Refiner/Trader	SBLC
31.	Southex	No Activity	Trader	SBLC
32.	Total	No Activity	Refiner	Open
33.	Toyota Tsusho	No Activity	Refiner/Manufact	Open

34.	Trafigura	Award Winner	Trader	SBLC
35.	Tri Ocean	No Activity	Trader/Equity	SBLC
36.	Trinity Energy	No Activity	Trader	SBLC
37.	Unipec	Award Winner	Refiner	PU
38.	Vitol	Award Winner	Refiner/Trader	SBLC
39.	Zenhuaoil Co. Ltd	No Activity	Trader	SBLC
40.	NIMEX Petroleum DMCC	No Activity	Trader	SBLC
41.	Hyde Energy Ltd	No Activity	Trader	SBLC
42.	Euronova Energies SA	No Activity	Trader	SBLC
43.	Kepu	No Activity	Trader	SBLC
44.	Kernel Oil Suisse SA	No Activity	Trader	SBLC
45.	Nabta General Trading	No Activity	Trader	SBLC
46.	Ocean Front			
47.	Gulf Petroleum	Active	Trader	SBLC
48.	Petraco Oil Company	Active	Trader	SBLC
49.	Adaxco	Active	Trader	SBLC
50.	Strong Petrochemical Ltd.	Active	Trader	SBLC
51.	Litasco	Active	Trader	SBLC
52.	Cathay Petroleum Int. Ltd	Active	Trader	SBLC
53.	Zenrock Commodities Trading Pte Ltd.	Active	Trader	SBLC
54.	Nimr Int. LLC	Active	Trader	SBLC
55.	CTP Oil Trading LLC	Active	Trader	SBLC
56.	Petro Holland Ltd.	Active	Trader	SBLC
57.	ZACOSIA Petrochemical Trading LLC	Active	Trader	SBLC
58.	TALEVERAS Petroleum Trading BV.	No Activity		SBLC
59.	Continental Energy	Active	Trader	SBLC

Table 15: Pre-approved Customer List

4.8 Marketing Report Card

The MoP marketing effort for the period of June 2018 to May 2019 continued to be stronger given the extremely difficult global crude oil environment. With supply out-stripping demand and the dramatic fall in prices during the period, the marketing group has clearly demonstrated the capability of the Ministry of Petroleum staff and the Marketing Team to successfully sell the country's entitlement share of crude oil at the best prices possible. The Ministry of

Petroleum will continue to work hard to monetize our crude oil into the international marketplace at attractive price formulas, contract terms, and in a professional and transparent manner.

The Ministry will also continue to ensure that controls are in place to provide assurance that all oil revenues are documented and that all payments made by buyers are fully accounted for.

MoP will continue to develop its marketing expertise and add new talent to its work force to address current challenges, help identify marketing opportunities and improve prices. The identification of new buyers and new markets, and the analysis of market behavior and crude oil prices are just some of the areas that will be subject to future development.

4.9 Transitional Financial Arrangement (TFA) and Tariff Payments to Sudan

RSS Payment Obligations to Sudan – For the reporting period of June 2018 to May 2019, the Republic of South Sudan has paid or is obligated to make the following payments to Republic of Sudan under the terms of The Agreement Concerning Oil and Related Economic Matters:

Description	Per bbl	Quantity
Net Quantity Shipped (Barrels @ MT)		11,928,564
Transitional Financial Arrangement (USD)	$15.00	178,928,460.00
Net TFA Obligation USD		178,928,460.00
Fees		
Processing	$1.60	19,085,702.40
Transportation	$6.50	77,535,666.00
Transit	$1.00	11,928,564.00
Total Fees	$9.10	108,549,932.40
Net Fees Obligation USD		108,549,932.40
Total Payment Obligations (USD)		**287,478,392.40**

Table 16: Payments to Sudan

As of the end of May 2019 the remaining balance on the Transitional Financial Arrangement obligation to Sudan is around USD 766 Million.

The mild increase in oil prices in the latter half of 2018 has resulted in significantly increased revenues and has relieved pressure on South Sudan's budget execution. This has enable the Republic of South Sudan in paying transport related fees and the transitional financial arrangement to Sudan and has resulted in an agreement to settle the outstanding obligation in a series of in land lifting. The agreement to this arrangement has been finalized and the pricing mechanism is the netback price calculation.

The valuation for settlement is to be based on the average FOB prices realized for South Sudan cargo sales at Port Sudan. The only netback deduction being made to this price for purposes of this presentation is for processing at Al Jabalain since South Sudan is obligated to provide clean oil to Sudan. No deductions are made for transit, transport or transitional financial arrangement since these fees are not payable if the oil is not shipped through Port Sudan as per the terms of the 2012 Cooperation Agreement on Oil.

Payments made up to date to Sudan under this arrangement are calculated by the MoP as follows:

	Mar/19	Apr/19	May/19	Total
Average Monthly FOB Price	$61.52	$67.76	$67.86	
Less: Processing Fee at Al Jabalain	$1.60	$1.60	$1.60	
Net Price for Valuation	$59.92	$66.16	$66.26	
Net Barrels Transferred to Sudan	863,824.00	839,590.00	867,226.00	2,570,640.00
Value for Settlement	**51,760,334.08**	**55,547,274.40**	**57,462,394.76**	**164,770,003.24**

Table 17: Payment in Kind to Sudan

4.10 Outstanding Issues

Data in Khartoum

A significant amount of oil field data which is owned by South Sudan after independence remains in storage in Khartoum. The RSS is responsible for the data and is currently constructing its own storage facility. The data has been fully inventoried and is ready for relocation to South Sudan. The data is important to the RSS to support the design and implementation of effective IOR/EOR programs, assist with the development of a new reserve assessment and to support new exploration promotion programs.

Financial Audits of Contractors

An initial assessment of the Contractors' audit status has been completed by the firm Ernst and Young and a report has been issued to the Ministry. The financial and operational records for the periods subject to audit are located in Khartoum and the Contractors have offered to host the audits in that location. Final detailed audit work is being undertaken by Ernst and Young and audit reports will be issued to the ministry after which further action may be required by the MoP.

PART 5 – FUTURE ACTIVITIES

May 2019 and Beyond

5.1 Re-Start of former Unity State Oil Production

The restart of oil production in former Unity State Oil fields is operational since August 2018 up-to date in blocks 1, 2 & 4. The main oil processing facilities are secured and the oil fields cover a large geographic area.

5.2 Improved / Enhanced Oil Recovery Opportunities

The oil production rates in the South Sudan oil fields are rapidly declining with increasing water cut. One of the options being considered by the Ministry of Petroleum and the Contractors is the implementation of Improved Oil Recovery (IOR) / Enhanced Oil Recovery (EOR) schemes. IOR / EOR projects have the potential to arrest the decline, significantly increase the amount of recoverable oil from the reservoir and prolong the life of the field.

There are various methods and technologies available for IOR / EOR projects that are being considered such as thermal, polymer flooding and gas injection, but they generally require significant investment and have a fairly long payout period. As a result, it may be necessary in some instances for the government to renegotiate license extensions on existing producing oil fields in order to ensure that the additional investments will be beneficial to the government and economically fair to the contractors.

5.3 Infrastructure Options

Refinery Projects

The refineries proposed would work to refine crude oil from different oil fields in the RSS, and produce mainly diesel, kerosene, naphtha and residue fuel crises across South Sudan (Heavy Fuel Oil). The locations of those facilities were dictated by the fact that there is a need to reduce the burden of transportation to the consumption centers. In addition to the proximity of those locations to the oil fields it also supports the provision of quick solutions to the immediate fuel needs for different production activities such as transportation, agriculture and power generation.

Thiangrial Refinery in former Upper Nile State: -

- Design capacity is 20,000 BPD to be constructed in two modular phases, phase one 10,000BPD and another phase after two years of 10,000BPD.
- Main petroleum fractions/products: Diesel, kerosene, naphtha and HFO (Heavy Fuel Oil).
- Financer: Frontiers Resource Group, USA; Contractor Ventech Engineering, USA.

- Status: Construction work has been stopped due to the political crises in South Sudan.

Bentiu Refinery, former Unity State

- Design capacity: 7,000 BPD modular construction.
- Operational Capacity: 5000 BPD
- Additional expansion to the facility would be 25,000 BPD including complex facilities to cater for cracking the long residue in order to increase the yield of light products.
- Financer: Safinat Limited of Russia; Constructed by Safinat
- Status: The refinery construction was completed in January 2014 and pre-commissioned before it was stopped because of the crises in South Sudan.

Akon Refinery, former Warrap State

- The initial proposed capacity: 50,000 BPD but it is likely to be reduced.
- Financier: yet to be identified.
- Status: This year, 2018-2019, no progress was witnessed regarding this project.

Pagak Refinery, former Upper Nile State

- Proposed capacity: 50,000 BPD.
- Financier: Black Rhino, USA.
- Status: Feasibly study is being finalized by Foster Wheeler; project has been put on hold.

5.3.1 Fuel Depot Projects

A number of fuel depots were proposed to be constructed in different locations in the country since 2012, but none of these have found its way to execution due to lack of funding except Wau depot. Now, with a new approach being adopted by the MoP, Nilepet is assuming responsibility for funding the fuel storage terminals, and it is expected that progress will be realized in the near future.

5.3.2 Pipeline Projects

- The first phase of the feasibility study for an alternative export pipeline was completed and presented to the RSS Cabinet in November, 2013.
- Two export pipeline routes have been studied and compared, in order to facilitate a decision as to which should be the best solution that serves the interests of the Republic of South Sudan; however due to the crisis, a decision has not yet been made. It is expected to be finalized soon.

The inland alternative evacuation pipeline from the Tharjath oil fields – former Unity state to Paloch – former Upper Nile State has been started. The conceptual design is completed and we expect to proceed with the project.

5.4 Products Supply

The Republic of South Sudan primarily consumes distillates in the form of diesel for truck fuel. Products are currently imported via Kenya. The supply of products for domestic consumption is being handled by Nilepet along with other private companies. The Ministry of Petroleum, Republic of South Sudan and the Government of Kenya have an agreement in place regarding the allocation of ullage. The MoP also provides the formal approval for companies to pick up and transport product from Kenya.

Downstream depots and import routes are illustrated below.

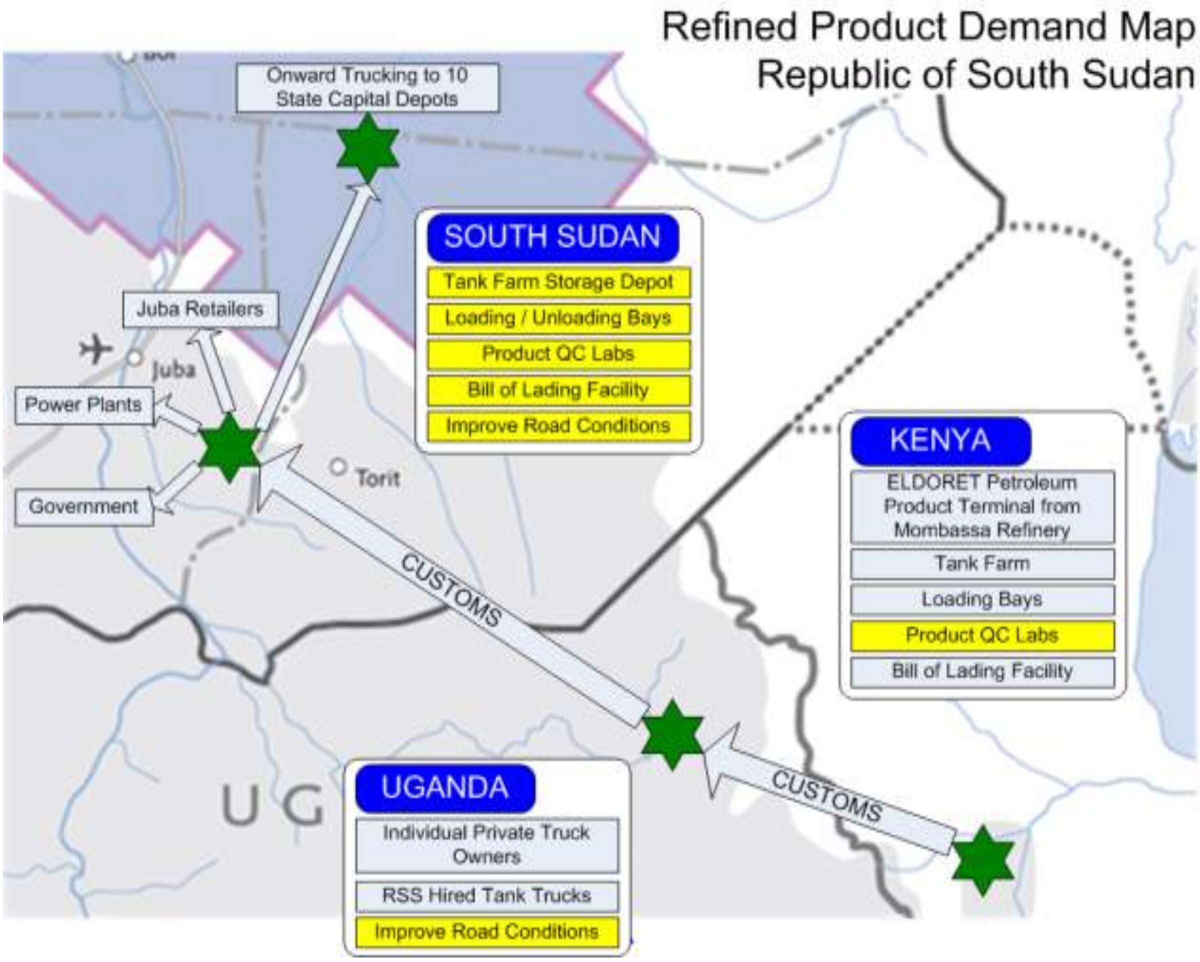


Figure 4: RSS Refined Product Demand Map

5.5 Challenges and Opportunities Ahead

The Ministry of Petroleum Marketing Group has both challenges and opportunities ahead. We have highlighted in this report many of the successes and achievements since the restart of production in South Sudan. As we celebrate the Eighth anniversary of our country's independence, we have clearly proven our ability to market our crude oil in a transparent manner and at attractive international prices. Marketing staff are located at the main MoP office in Juba and at the marine terminal in Port Sudan to oversee the tanker loadings of the government cargoes. With the guidance of the marketing team these staff members have assumed complete responsibility for the marketing of our country's crude oil.

The number of workstations and the amount of quality office space for employees has increased. Training has been improved through the offerings of the contractors and the crude oil buyers and advisor support is now generally limited to administrative oversight. The strengthened capacity of our staff, even as we continue to experience deficiencies in manpower and financial resources, is notable. The MoP website is functioning and will eventually house public marketing information and contacts.

The MoP continues to work through many of the internal organizational challenges to improve the performance of the people within the department. Some of our initiatives include:

- Continuous improvement in education and training for our MoP staff;
- Clearly defined roles & responsibilities for all levels within MoP;
- Developing an internet database platform for all employees to utilize daily activities;
- Improving internal and external communication of marketing information;
- Developing a seamless working relationship with other ministries.

Work has begun, but more hard work is needed to build upon our past experiences…but the marketing road ahead remains bright……..!

CLOSING REMARKS

"This Petroleum Report is the seventh issued by the Ministry of Petroleum, Republic of South Sudan. It provides an overview of world oil markets and fundamentals, price forecasts, oilfield reserves, and the MoP marketing performance. It offers an outline of our infrastructure plans such as refineries and storage depots and provides insight into our efforts to ensure transparency in all that we do.

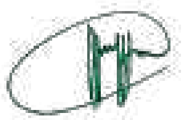
The young people in our marketing group have demonstrated their understanding of the fundamentals of crude oil marketing and their enthusiasm for their work. But we cannot stop here. Crude oil marketing must continue to develop with buyer and market diversification and a better understanding of global economics and pricing analysis. These activities will be enhanced once MoP establishes on-line communications with the global oil markets and with the main world crude oil pricing center Platts, London which we are looking forward to have membership with them.

Our Health, Safety and Environment department has internally and externally a good number of staff and this is highlighting the MoP strong commitment to our people and our environment and enhancing our ability to monitor and enforce regulation in the petroleum sectors. For the first time we are holding environmental audit and this will let us know precisely to what extent is our environment affected and what measures must be taken to correct what went wrong.

Our Exploration and Production department is seriously engaged in promoting new blocks ready for those investors willing to take them.

Our goal with this and subsequent editions of the MoP Petroleum Report is to provide you with comprehensive information which clearly explains the monetization of our country's crude oil. Our emphasis is on transparency and full compliance with our legislative requirements for information disclosure. Our efforts will not end with this report – we will continue to look at ways to improve our marketing operations and add value. It is our hope that as we move forward we will more fully capture the new developments occurring within the Ministry on the path of reaching the goal of energy independence, and a greater prosperity for our people."

Sincerely,



Mayen Wol Jong
Undersecretary, MoP

REPUBLIC OF SOUTH SUDAN

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