



HART NURSE LTD
Chartered Accountants

in association with



Vision
Consulting Ltd

YEMEN EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE (YEITI)

Yemen First EITI Reconciliation Report 2005, 2006, and 2007



Sana'a

October 2010

The Report and all appendices relating to the report are intended for the use of the Yemen EITI Council for the purpose of that initiative and are not to be relied upon by other parties

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Abbreviations and Definitions

BBL	Barrels (of Crude Oil)
Covered Entities	The companies and the Government departments / ministries listed in section 4.2 of this report
EITI	Extractive Industries Transparency Initiative
Government	Government of the Republic of Yemen
IFAC	International Federation of Accountants
LLC	Limited Liability Company
MOM	Ministry of Oil and Minerals
MOF	Ministry of Finance
COCA	Central Organization for control and auditing
PSA	Production Sharing Agreement
Safer	Safer E&P Operation Company
TOR	Terms of Reference
USD	United States Dollars
YEITI	Yemen Extractive Industries Transparency Initiative
YEITIS	Yemen Extractive Industries Transparency Initiative Secretariat
YICOM	Yemen Company for Investment in Oil and Minerals
YTA	Yemen Tax Authority

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23rd October 2010

Hart Nurse Limited have been appointed in association with Vision Consulting Ltd by Yemen Extractive Industries Transparency Initiative Council to undertake the 1st EITI Reconciliation for Yemen for the years 2005, 2006, and 2007 and to prepare a Report on this Reconciliation ("Engagement").

The Engagement was undertaken in accordance with the International Standard on Related Services applicable to agreed-upon procedures engagements. The procedures performed were those set out in the Terms of Reference appended to this report, except where stated otherwise in this report including its appendices.

We set out our findings in report including its appendices. Because the procedures were not designed to constitute an audit or review made in accordance with International Standards on Auditing or International Standards on Review Engagements, we do not express any assurance on the transactions beyond the explicit statements set out in this report. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

Our report is solely for the purpose of informing the National Council on the matters set out in the terms of reference and is not addressed to any other party or to be used for any other purpose.

This report relates only to the subject matter specifically set out herein and does not extend to any financial statements of any entity taken as a whole.

Hart Nurse Limited
Chartered Accountants



Vision Consulting Ltd



1 INTRODUCTION

This is the final report under the Yemen 1st EITI Reconciliation for the years 2005, 2006, and 2007.

The report is intended for the use of the Yemen EITI Council for the purpose of that initiative and is not to be relied upon by other parties.

The report includes its Appendices, parts of which are bound separately.

1.1 Objective

The objective of the engagement is to ensure the transparency and credibility of certain oil sector payments and receipts in Yemen. To this end, the engagement entailed an analysis and reconciliation of material payments and receipts made by specified Covered Entities in the fiscal years 2005, 2006, and 2007 in the oil producing sector.

1.2 Scope of work

Hart Nurse Ltd and Vision (“the Consultants”) were required to undertake the work set out in the Terms of Reference for the engagement.

The reconciliation has been carried out on a cash accounting basis, with both cash and in-kind payments taken into account.

If there are material receipts or payments omitted from the reporting templates by both the paying and receiving entity, our work would not be sufficient to detect them. Any such receipts or payments would not therefore be included in our report.

In conducting our work, we have relied upon the information and explanations obtained from Covered Entities.

This report is prepared both in English and Arabic. If there should be any differences or contradictions between the English version and the Arabic version, the English version will prevail.

Our report incorporates information received up to 11th August 2010, which is the deadline set by the YEITI Council following a review of our initial draft report by the Council. Any information received after this date is not, therefore, included in our report. Certain confirmations, that did not affect data or reconciliations, were subsequently received and have been included.

1.3 Structure of the report

The report contains:-

- a. An Executive Summary
- b. A brief overview of the extractive sector in Yemen
- c. Our approach to undertaking the engagement
- d. An aggregation of the flows (payments and receipts; and in kind) reported
- e. Identification of unresolved differences, with information about the type of receipt/payment involved and the Covered Entities whose reported figures remain un-reconciled.
- f. A summary of issues arising during the Engagement together with recommendations for improvements in transparency and EITI processes.

Full details of initial differences, adjustments made and unresolved differences, analysed by type of financial / in kind flow, are reported, together with other supporting information.

1.4 Acknowledgement

The Consultants would like to express our sincere thanks Dr. Moqbil , Chairman of the YEITI council, in particular, who has been instrumental assisting us in receiving timely replies from the Government and as well as from the Governments. Also to team of the YEITIS, Mr. Mohammed Alnajar, and Mr. Hani Uqba, for supporting and assisting us with organisation of meetings with major officials from the Government and its various organisations and agencies, as well as with the oil companies; and for sending and receiving official confirmation letters to/from these parties.

2 EXECUTIVE SUMMARY

This Summary sets out the main findings from the exercise to reconcile the receipts declared by the Government from oil extractive companies included in the EITI reconciliation for the years 2005, 2006, and 2007 with the payments to Government reported by those companies.

2.1 Summary of benefit flows

The benefit flows to the Government, as reported by Government and companies, after completion of the reconciliation, were as follows:

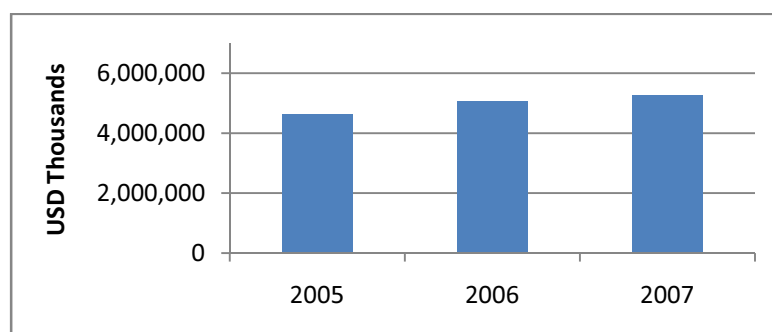
Year	Government Entities USD thousand	Companies USD thousand	Net unresolved differences USD thousand
2005	4,668,155	4,668,249	(94)
2006	5,122,351	5,121,922	430
2007	5,331,162	5,331,078	84

Government receives benefits from the oil extractive sector in terms of:

- Crude oil transferred in kind from companies to the Government for export
- Crude oil transferred in kind by companies to Government refineries
- Financial payments from companies directly to the Government

2.2 In-kind transactions

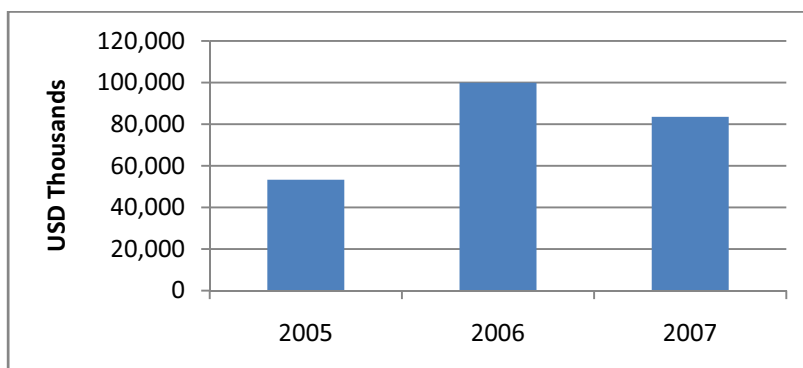
In-kind transactions comprise (a) crude oil lifted by the Government and (b) crude oil sent to Yemeni refineries. The aggregate annual values of in-kind transfers to the Government are shown in the following graph:



There were no unresolved differences for export of crude oil.

2.3 Financial payments by companies

The aggregate financial payments to the Government of Yemen (i.e.: excluding in-kind transactions) for the years 2005, 2006 and 2007 are displayed on the following graph:



There were no material unresolved differences for financial payments made by companies.

2.4 Materiality of inconsistencies

The Council provisionally decided that a reconciliation difference should be considered material if, for any payment category, the Government figure differs by 5% or more from the company figures.

After completion of the reconciliation work, there remained no differences that exceeded the Council's definition of a material difference.

2.5 Completeness and accuracy of data

Based on the list of entities specified by the Council to be included in the reconciliation, we confirm that all entities participated in the reconciliation.

Data from one entity was not presented in a manner that conformed to the templates approved by the Council and was incomplete.

We have reported on the work we undertook, as set out in this report. Data initially provided to us contained numerous differences. We worked with the companies and Government entities to reconcile the differences. Differences were caused by:

1. inadequate care over the completion of the data templates, particularly by the MOM accounting department
2. inadequate understanding of the data template requirements, by some Government departments, especially from YOGC – Marketing department and YICOM
3. Some reporting companies used the accruals basis when completing the data templates rather than using the cash basis as specified for this reconciliation.

2.6 How inconsistencies were reconciled or resolved

After identifying the existence of an inconsistency, we undertook the following:

1. Government entities were contacted and visited for the purpose of investigating the differences and requesting the completion of any missing information.
2. For any update of the data templates, supporting documents were always requested. However, we were not able to get supporting documents from MOM with regard to:
 - excess recovery payments;
 - price adjustments; and
 - production bonus payments.
3. For differences in financial transactions, we obtained supporting documents from both the Government and the related company. In most cases, we found that the differences were caused by companies having used the accruals basis rather than the cash basis when completing the data templates.
4. For crude oil differences, we obtained the bills of lading and sales invoices and resolved the differences accordingly.

2.7 Audited data and consistency with financial statements

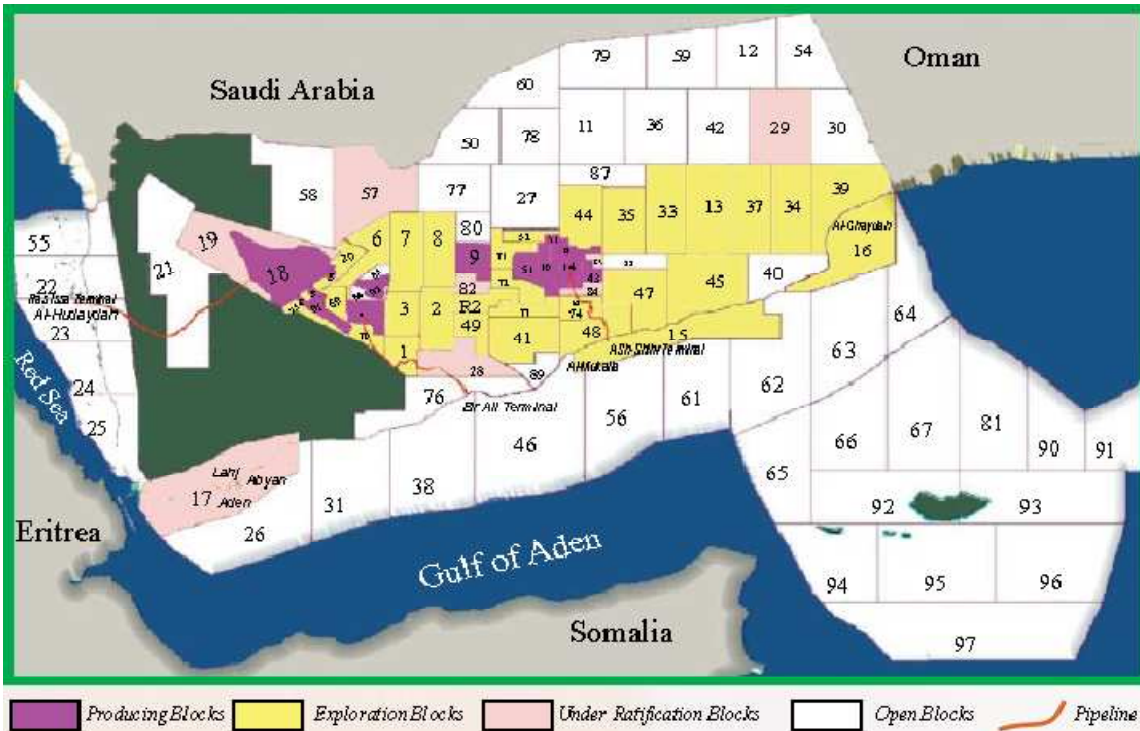
The Council asked Covered Entities (both company and government) to provide confirmatory letters from their auditors stating that the data provided in the reporting templates was consistent with the audited financial statements. Such confirmations were not provided by government entities (refer to paragraph 4.7). Most companies did produce such confirmations but not all, as set out in the table in Appendix C (paragraph 11).

The Council also requested Covered Entities to confirm that their financial statements were audited in accordance with International Auditing Standards. Most companies provided copies of their financial statements with audit reports (Appendix C) and / or confirmation letters from their auditors (Appendix B).

- Dove Energy Yemen Limited did not provide any auditor confirmations, citing the problem that their auditors for 2005-2007 were firms that no longer exist.
- Yemen Company for Investment in Oil and Minerals stated that COCA was not able to provide the required attestation letter.
- OMV (Yemen Block 52) Exploration GmbH did not provide audited financial statements, nor confirmation from the auditor; accordingly, we are not in a position to comment on whether their financial statements were audited in accordance with International Standards on Auditing. The management representation letter refers to financial statements provided to us but such statements were not in fact provided.
- Jannah Hunt Oil Company did not provide audited financial statements. The management representation letter refers to financial statements provided to us but such statements were not in fact provided.

These issues reduce the degree of confidence that the data provided by companies and government were of the quality envisaged by the EITI Criteria.

3 OVERVIEW OF EXTRACTIVE SECTOR IN YEMEN

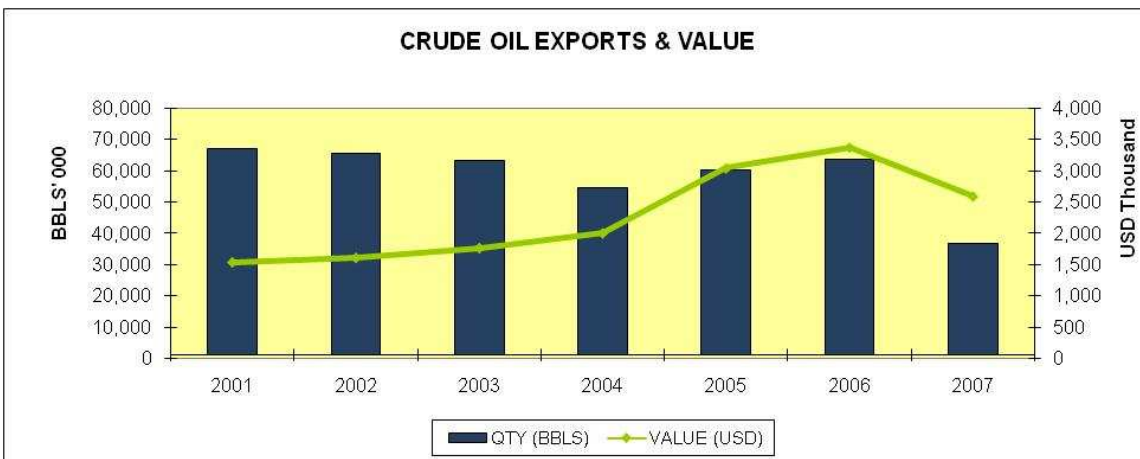


Source: MOM (2008)

3.1 Oil

In 2005 – 2007 Yemen production of oil was in the range of 0.3 – 0.4 million bpd from twelve producing blocks. Exploration and production are contracted under Production Sharing Agreements (PSAs).

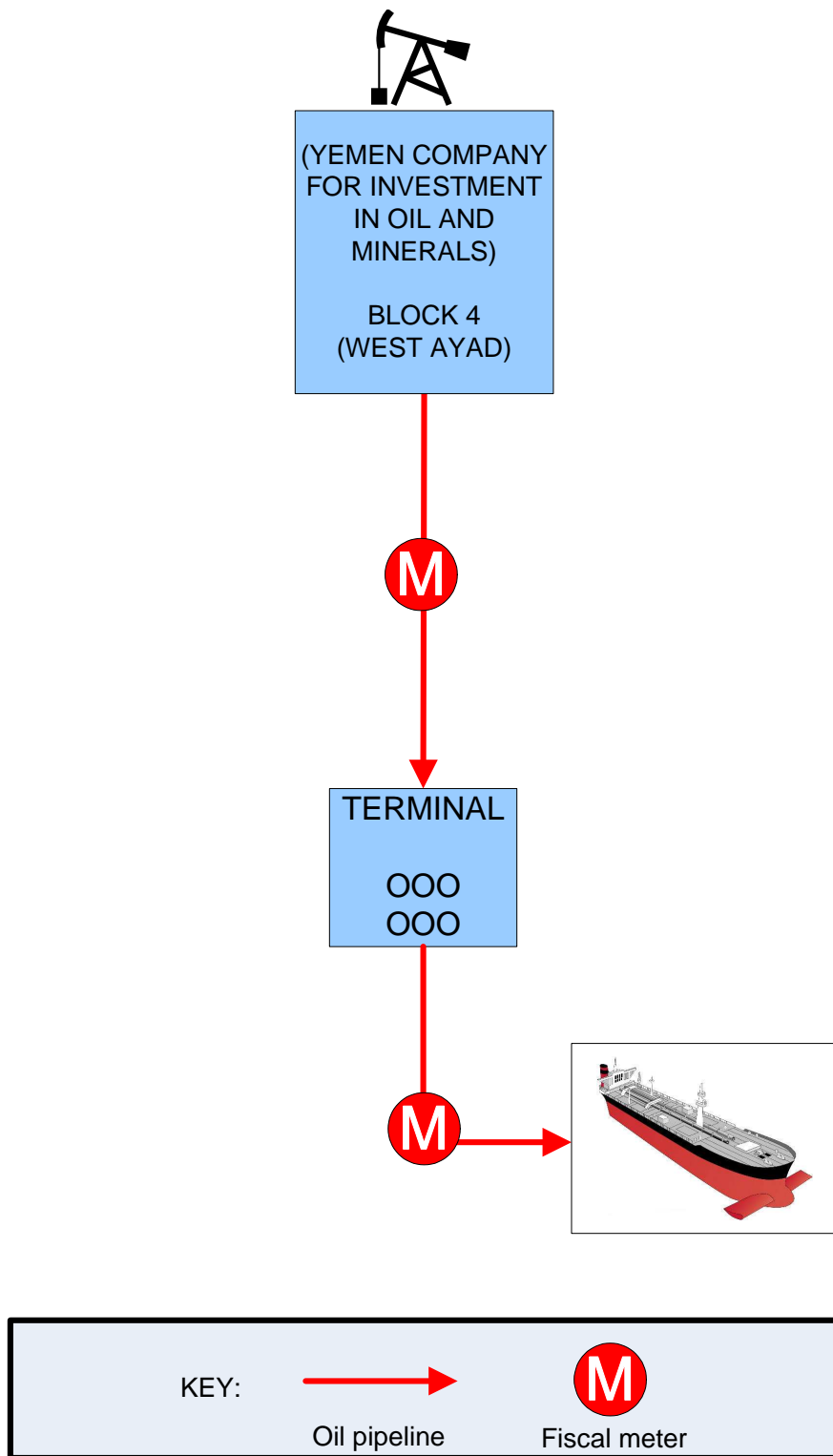
As illustrated in the following graph, total production is in long-term decline, although 2005 and 2006 were slight exceptions to the trend.



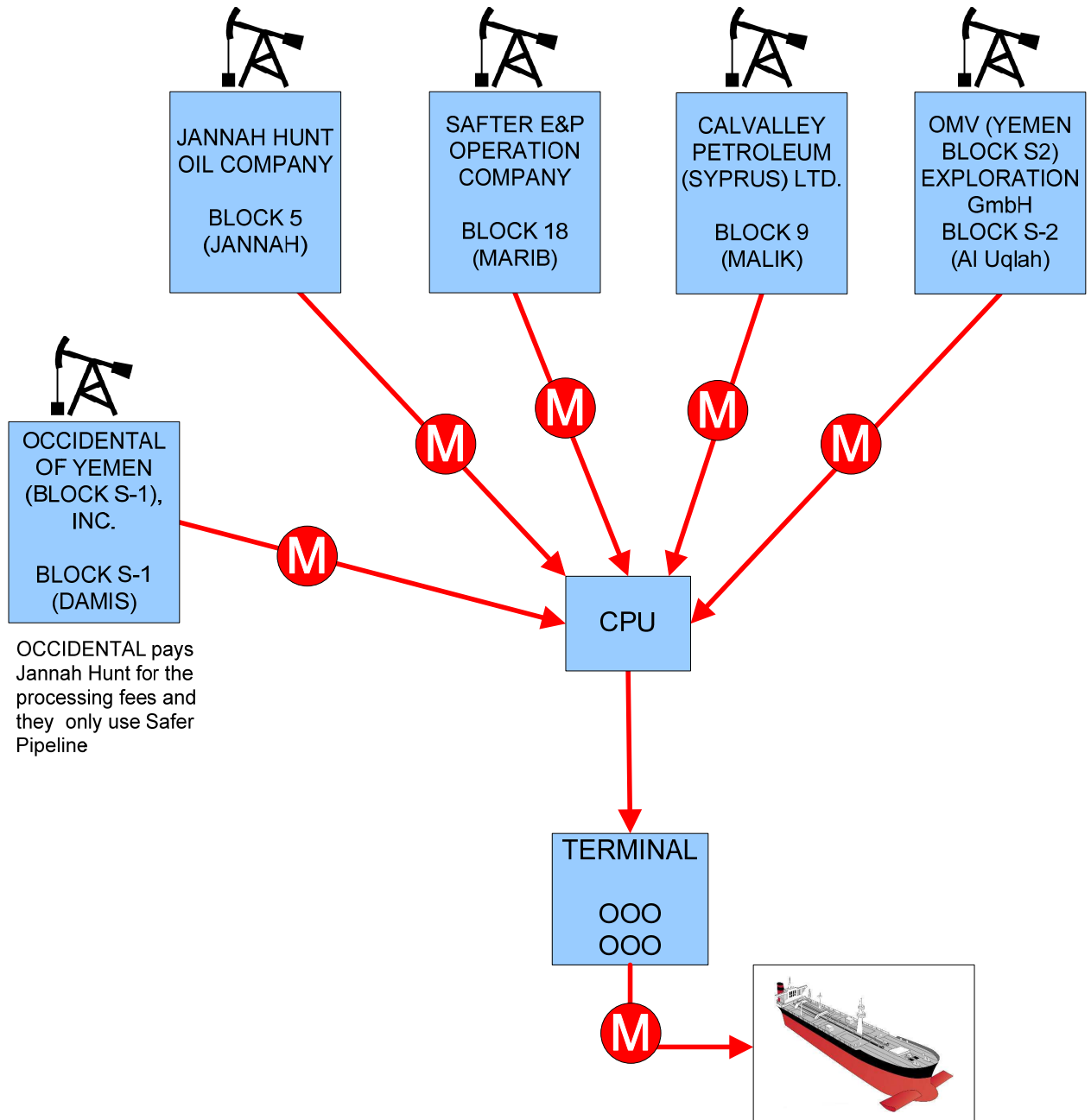
Yemen benefitted from rising international oil prices. As a result, 2006 was the historical peak in Government receipts from crude oil exports.

There are three terminal systems in Yemen. The physical oil flows at each Terminal are shown in the following schematic diagrams.

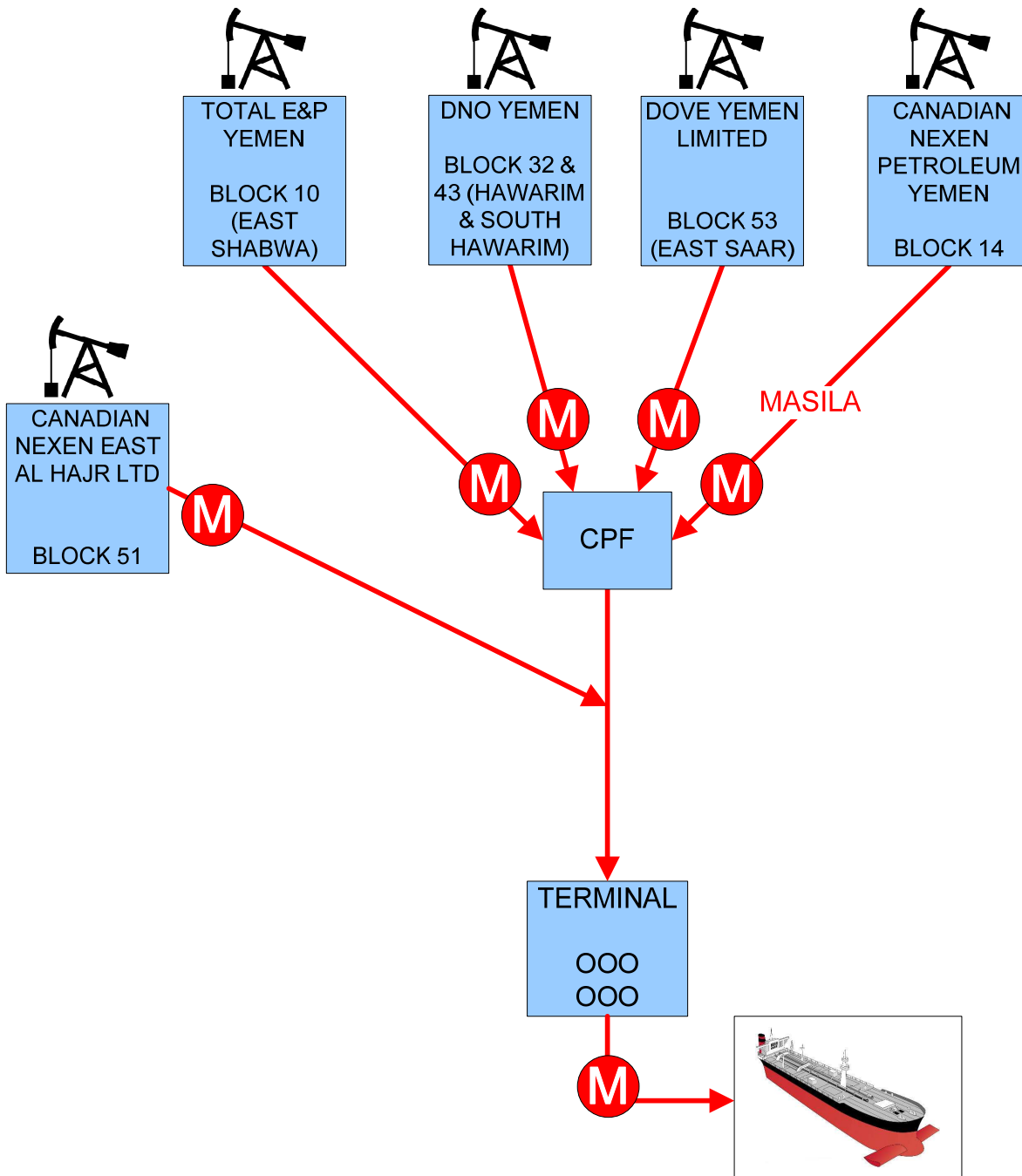
3.1.1 Bir Ali Terminal



3.1.2 Marib-Ras Issa Terminal (Safer)



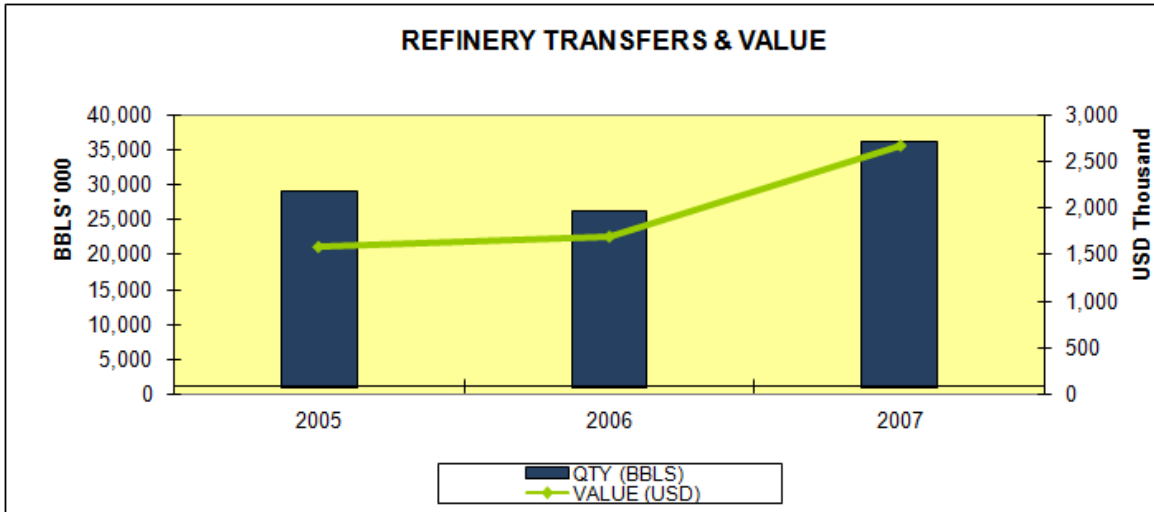
3.1.3 Ash Shihr terminal (Canadian Nexen)



3.1.4 Refinery transfers

Oil is transferred from Ras Issa terminal to Aden refinery by vessel. Quantities are controlled by fiscal metering at the loading point.

Oil is also transferred from Safer terminal to Marib refinery by pipeline. There are meters both at the Safer terminal and at the refinery. Safer meter is periodically checked by an independent specialised company.



3.2 Gas

Associated gas is produced in Yemen. In the period 2005-07, most of the gas was reinjected and some was flared. MOM published reports state that Safer sold 51 million cubic feet of gas in 2007. Gas has not been included within the Terms of Reference of the present reconciliation.

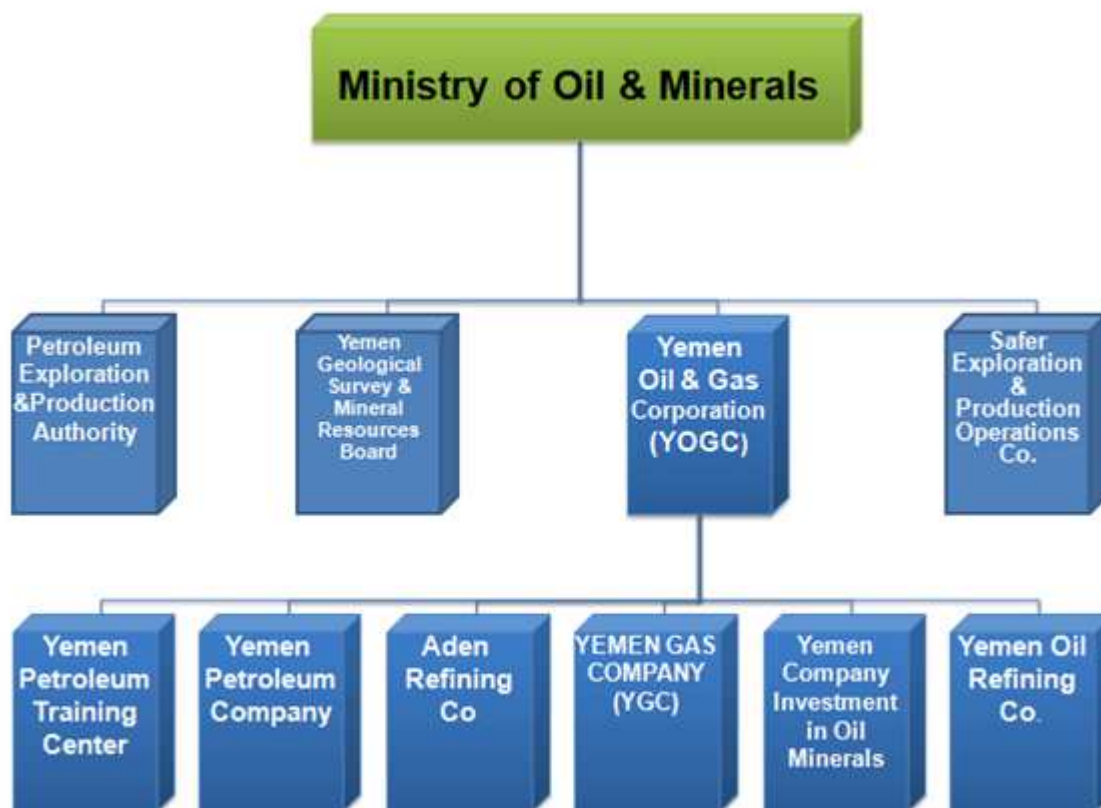
In October 2005, construction of the Yemeni Liquefied Natural Gas (YLNG) Project started. The capital cost is reported to be around \$4.5 billion. The project consists of a 320 kilometres pipeline to transport gas from the Marib field (Block 18) in central Yemen to a two-train LNG plant in the port of Balhaf at the southern coast of the country. The design capacity is 6.7 million metric tonnes of LNG per annum. The project started operations only in late 2009.

3.3 Mining

The MOM lists a number of occurrences of industrial minerals in Yemen. Companies are active in exploration and appraisal. The MOM noted for 2005 that one company was engaged in the production of limestone. By 2007, MOM reported that companies were active in Gold, Lead-zinc-silver and Copper-Cobalt-Platinum. Mining has not been included within the Terms of Reference of the present reconciliation.

3.4 Government involvement in the sector

The Government oversees the sector through the MOM. The MOM manages the Government interest under the PSAs. MOM is also responsible for a several Government-owned companies, as set out in the following diagram.



For the purpose of the EITI reconciliation and reporting, the treatment of Government entities is as follows:

- Safer: the production of Block 18 is treated as a sector production operation. The benefit flows to Government from Block 18 are treated as transferred to Government at the point the oil leaves the terminal, whether for export or transfer to a refinery.
- Aden refinery: the refining operation is out of the scope of the reconciliation. Oil receipts at refineries are treated as crude oil placed in the hands of Government. Oil that is exported from the terminal for the account of the Aden refinery is treated as Government exports.
- Marib refinery (YORC): as for Aden refinery.

4 APPROACH, METHODOLOGY AND WORK DONE

4.1 Elements of the reconciliation work

The approach we have adopted is summarised below:

- Gained an understanding of the oil sector through discussions with the YEITI Secretariat and companies and review of relevant documents;
- Reviewed the draft data collection templates put forward by the Council, in the light of our understanding of the operations of the industry;
- Discussed with the Council and stakeholders the nature of the benefit flows from companies to Government and how these might be captured for the purpose of reconciliation;
- Prepared amended data collection templates for the approval of the Council;
- Following approval of revised templates by the Council, issued the templates to those entities that the Council had determined to be included within the scope of the reconciliation;
- Liaised with both Company and Government Departments to resolve discrepancies.

4.2 Participants in the EITI Reconciliation

The Government departments that participated in the 2005, 2006 and 2007 EITI reconciliation were:-

- Ministry of Oil and Minerals - Accounting Department
- Yemen Oil & Gas Corporation – Marketing Department
- Yemen Company For Investment In Oil And Minerals
- Ministry of Finance
- Aden Refinery Company
- Yemen Oil Refining Company (Marib Refinery)

The National Council defined the following list of covered companies.

- Dove Energy Yemen Limited
- DNO Yemen
- Calvalley Petroleum (Cyprus) Ltd.
- Occidental Of Yemen (Block S-1), Inc.
- Canadian Nexen Petroleum Yemen
- Canadian Nexen East Al Hajr Ltd
- Total E&P Yemen
- OMV (Yemen Block S2) Exploration GmbH
- Jannah Hunt Oil Company
- Safer E&P Operation Company
- Yemen Company For Investment In Oil And Minerals
- KNOC Yemen Ltd

Any mining extractive companies and gas producing companies (other than companies producing Associated Gas that was reinjected or flared) were not to be included within the scope of the reconciliation.

4.3 Analysis of reporting template data received

Excel spreadsheets were used to match (a) taxes and fees paid by companies to Government and local budget shown the template supplied by each company and (b) those recorded on each template prepared by Government entities. All discrepancies arising were tabulated and:

- Detailed reconciliations were requested as necessary from relevant Government Entities and Tax Authorities (detailing the dates and amounts of receipts making up the total monetary transactions disclosed by the respective government entities) and used to match with reconciliations of payments made by companies in order to identify the details of, and where possible explain, the discrepancy;
- After considering the discrepancies that occurred for a particular company of a benefit flow, we:-
 - Reviewed the validity of data contained in templates. Depending on the nature of the item, this involved checking from source documents, analytical review or independent confirmations.
 - Requested the relevant company to provide a copy of its workings detailing the payment dates and amounts supporting the calculation of the payment figures it had included on its template.
 - Where this procedure was not satisfactory to explain a discrepancy, we reverted to the review process outlined above.
- Where the process did not resolve the manner in which the discrepancy(s) should be corrected, meetings have been held with the company and relevant Government entity to agree a solution.
- Discrepancies identified by the matching process have been classified by type / nature once the reasons for the discrepancy(s) have been identified (or if necessary unresolved) in order to highlight any common issues which occurred in the preparation of the Templates and the EITI process.

YOGC and Aden Refinery were slow to provide the information and required much follow up work by our staff.

Following much effort to reconcile the figures reported initially by the Covered Entities, including meetings with companies and Government entities, we reported on progress to the YEITI Council on a weekly basis.

4.4 Materiality

The Council defined materiality as follows:

The Council provisionally decided that a reconciliation difference should be considered material if, for any payment category, the Government figure differs by 5% or more from the companies' figures.

Where an unresolved difference exceeded these parameters, we noted that they constitute a material difference. Other differences are classified as not material.

4.5 Authority of data templates

Government and Companies provided data templates and were requested to provide data templates on a provisional basis. Following the reconciliation work, these templates were to be confirmed officially, in the form approved by the Council. The table, below, shows whether formal signed templates were eventually received.

Company Name	Signed templates received
"Dove Energy Yemen Limited"	Yes
"DNO Yemen"	Yes
"Calvalley Petroleum (Cyprus) Ltd."	Yes
"Occidental Of Yemen (Block S-1), Inc."	Yes
"Canadian Nexen Petroleum Yemen"	Yes
"Canadian Nexen East Al Hajr Ltd"	Yes
"Total E&P Yemen"	Yes
"OMV (YEMEN BLOCK S2) EXPLORATION GmbH"	Yes
"Jannah Hunt Oil Company"	Yes
"Safer E&P Operation Company"	Yes
"Yemen Company For Investment In Oil And Minerals"	Yes
"KNOC Yemen Ltd"	Yes

4.6 Information based on audited financial statements

We requested companies to confirm that the data they submitted for reconciliation was consistent with their audited financial statements. Below is the list of companies who have provided their audited financial statements for the financial years 2005, 2006, and 2007.

Company Name	Financial statements received
"Dove Energy Yemen Limited"	Yes
"DNO Yemen"	Yes
"Calvalley Petroleum (Cyprus) Ltd."	Yes
"Occidental Of Yemen (Block S-1), Inc."	Yes
"Canadian Nexen Petroleum Yemen"	Yes
"Canadian Nexen East Al Hajr Ltd"	Yes
"Total E&P Yemen"	Yes
"OMV (YEMEN BLOCK S2) EXPLORATION GmbH"	No
"Jannah Hunt Oil Company"	No
"Safer E&P Operation Company"	Yes
"Yemen Company For Investment In Oil And Minerals"	Yes
"KNOC Yemen Ltd"	Yes

We requested companies to arrange for confirmations from their auditors that the audits were conducted in accordance with international auditing standards. The outcome is set out in appendix B (section 11).

4.7 Government audit

We received no confirmations that data provided by the Government covered entities had been subject to audit.

5 SUMMARY OF TRANSACTION FLOWS

The reported transaction flows for each of the years are summarised in the following tables, by year.

Year 2005							
Section	Reported by Government		Reported by foreign extractive Companies		Unresolved differences		Ref
	Volume	Value	Volume	Value	Volume	Value	
	BBL	USD	BBL	USD	BBL	USD	
Crude oil exports	60,472,371	3,034,370,308	60,472,371	3,034,370,308	-	-	6
Crude oil transfers to refineries	29,228,371	1,580,593,665	29,228,371	1,580,593,665	-	-	7
Financial payments							8
<i>Production Bonus</i>	-	2,500,000	-	2,500,000	-	-	
<i>Training Bonus</i>	-	1,250,000	-	1,250,000	-	-	
<i>Institutional Bonus</i>	-	1,200,000	-	1,200,000	-	-	
<i>Social Development Bonus</i>	-	850,000	-	850,000	-	-	
<i>Signature Bonus</i>	-	-	-	-	-	-	
<i>Excess recovery</i>	-	13,657,262	-	13,657,262	-	-	
<i>Price adjustments</i>	-	-	-	-	-	-	
<i>Audit Settlements</i>	-	-	-	-	-	-	
<i>PSA Tax</i>	-	1,666,618	-	1,666,618	-	-	
Tariff Facilities Usage Fees	-	32,067,122	-	32,160,754	-	(93,632)	
Total	89,700,742	4,668,154,975	89,700,742	4,668,248,606	-	(93,632)	

Year 2006							
Section	Reported by Government		Reported by foreign extractive Companies		Unresolved differences		Ref
	Volume	Value	Volume	Value	Volume	Value	
	BBL	USD	BBL	USD	BBL	USD	
Crude oil exports	63,599,248	3,363,078,164	63,599,248	3,363,078,164	-	-	6
Crude oil transfers to refineries	25,825,902	1,658,922,268	25,825,902	1,658,922,268	-	-	7
Financial payments							8
<i>Production Bonus</i>	-	1,150,000	-	1,150,000	-	-	
<i>Training Bonus</i>	-	1,250,000	-	1,250,000	-	-	
<i>Institutional Bonus</i>	-	1,250,000	-	1,250,000	-	-	
<i>Social Development Bonus</i>	-	1,150,000	-	1,150,000	-	-	
<i>Signature Bonus</i>	-	-	-	-	-	-	
<i>Excess recovery</i>	-	58,307,909	-	58,307,900	-	9	
<i>Price adjustments</i>	-	1,319,016	-	1,319,016	-	-	
<i>Audit Settlements</i>	-	-	-	-	-	-	
<i>PSA Tax</i>	-	1,668,355	-	1,668,355	-	-	
Tariff Facilities Usage Fees	-	34,255,557	-	33,825,894	-	429,663	
Total	89,425,150	5,122,351,269	89,425,150	5,121,921,597	-	429,672	

Year 2007							
Section	Reported by Government		Reported by foreign extractive Companies		Unresolved differences		Ref
	Volume	Value	Volume	Value	Volume	Value	
	BBL	USD	BBL	USD	BBL	USD	
Crude oil exports	36,738,259	2,584,816,940	36,738,259	2,584,816,940	-	-	6
Crude oil transfers to refineries	36,214,044	2,662,692,579	36,214,044	2,662,692,579	-	-	7
Financial payments							8
<i>Production Bonus</i>	-	1,000,000	-	1,000,000	-	-	
<i>Training Bonus</i>	-	1,250,000	-	1,250,000	-	-	
<i>Institutional Bonus</i>	-	1,200,000	-	1,200,000	-	-	
<i>Social Development Bonus</i>	-	850,000	-	850,000	-	-	
<i>Signature Bonus</i>	-	2,755,000	-	2,755,000	-	-	
<i>Excess recovery</i>	-	40,035,278	-	40,035,278	-	-	
<i>Price adjustments</i>	-	-	-	-	-	-	
<i>Audit Settlements</i>	-	2,795,033	-	2,795,033	-	-	
<i>PSA Tax</i>	-	2,214,817	-	2,214,817	-	-	
Tariff Facilities Usage Fees	-	31,552,578	-	31,468,728	-	83,850	
Total	72,952,303	5,331,162,225	72,952,303	5,331,078,375	-	83,850	

If there are material receipts or payments omitted from the reporting templates by both the paying and receiving entities, the work we were requested to undertake would not be sufficient to detect them. Any such receipts or payments would not therefore be included in the report.

6 CRUDE OIL TRANSFERRED TO THE GOVERNMENT FOR EXPORT

The table below shows:

- i. The aggregate crude oil flows reported by Covered Entities initially, and the differences between receipts reported by Government and payments reported by companies
- ii. Adjustments made as a result of our reconciliation work
- iii. The adjusted aggregate flows and any differences which could not be resolved.

Section	As reported by			Net initial Differences
	Government Entities		Companies	
	BBL	USD	BBL	BBL
Crude Oil Exports				
2005	58,351,116	2,920,493,652	60,472,371	(2,121,255)
2006	56,864,522	2,898,525,623	63,099,248	(6,234,726)
2007	36,738,259	2,584,816,940	36,738,259	-

The templates submitted to the consultant contained a number of obvious errors in completion or omissions, which arose due to a combination of

- i. inadequate understanding of the requirements, by Government departments, especially from YOGC – Marketing department
- ii. inadequate care over completion of the templates, particularly by the YOGC - Marketing department

Section	Initial Differences (net) BBL	Adjustments made		Unresolved Differences (net) BBL
		Government Entities	Companies	
		BBL	BBL	
Crude Oil Exports				
2005	(2,121,255)	2,121,255	-	-
2006	(6,234,726)	6,734,726	(500,000)	-
2007	-	-	-	-

After resolving these issues, the position was restated as follows:

Section	As reported by			Unresolved Differences
	Government Entities		Companies	
	BBL	USD	BBL	BBL
Crude Oil Exports				
2005	60,472,371	3,034,370,308	60,472,371	-
2006	63,599,248	3,363,078,164	63,599,248	-
2007	36,738,259	2,584,816,940	36,738,259	-

7 CRUDE OIL TRANSFERRED TO GOVERNMENT REFINERIES

There are two operating refineries: in Aden and Marib.

- Aden refinery receives Marib crude oil from Blocks 18, Block 5, Block S-1, Block S-2 and Block 9. The oil is shipped from Ras Issa terminal under Bills of Lading.
- Aden refinery also received Masila crude oil from Block 10 and Block 14 during the year 2007, the oil of which was shipped from Al Shihr Terminal under Bills of Lading.
- Marib refinery receives oil used to refining to produce Naphtha/Slop by pipeline from Safer . Marib was also said to transfer oil back to Safer if it is in excess to requirements.

In addition, crude oil is allocated to Aden refinery but not shipped to Aden; rather, the oil is sold internationally and the proceeds remitted to the account of Aden refinery. This oil is included in the export data in section 6 of this report.

The table below shows:

- The aggregate crude oil flows reported by the Covered Entities initially, and the differences between receipts reported by Government and payments reported by companies;
- Adjustments made as a result of our reconciliation work;
- The adjusted aggregate flows and any differences which could not be resolved.

Section	As reported by		Net initial Differences
	Government Entities	Companies	
	BBL	BBL	BBL
Transfers to Aden Refinery			
2005	26,141,819	26,851,437	(709,618)
2006	22,300,336	20,694,087	1,606,249
2007	33,155,639	33,155,639	-
Transfers to Marib Refinery			
2005	3,086,552	481,325	2,605,227
2006	3,025,566	3,732,643	(707,077)
2007	3,058,405	3,845,987	(787,582)

The templates submitted to the consultant contained a number of obvious errors in completion or omissions, which arose due to a combination of:

- inadequate understanding of the requirements, by Government departments and companies;
- inadequate care over completion of the templates, particularly by the YOGC - Marketing department;
- failure to make data adjustments requested, especially from YICOM;
- failure to provide data requested on approved templates, especially from OMV and the MOF.

Section	Initial Differences	Adjustments made		Unresolved Differences
	(net)	Government Entities	Companies	(net)
	BBL	BBL	BBL	BBL
Transfers to Aden Refinery				
2005	(709,618)	-	709,618	-
2006	1,606,249	-	(1,606,249)	-
2007	-	-	-	-
Transfers to Marib Refinery				
2005	2,605,227	-	(2,605,227)	-
2006	(707,077)	-	707,077	-
2007	(787,582)	-	787,582	-

After reconciliation, the position is as follows:

Section	As reported by			Unresolved Differences	Unresolved Differences
	Government Entities	Government Entities	Companies		
	BBL	USD	BBL		
Transfers to Aden Refinery					
2005	26,141,819	1,414,841,546	26,141,819	-	-
2006	22,800,336	1,464,858,441	22,800,336	-	-
2007	33,155,639	2,439,590,706	33,155,639	-	-
Transfers to Marib Refinery					
2005	3,086,552	165,752,119	3,086,552	-	-
2006	3,025,566	194,063,827	3,025,566	-	-
2007	3,058,405	223,101,873	3,058,405	-	-

After our reconciliation work, there remained no discrepancies.

8 FINANCIAL FLOWS TO GOVERNMENT

8.1 Introduction

The tables in the following sections show:

- i. The aggregate flows reported by Covered Entities initially, and the differences between receipts reported by Government and payments reported by companies;
- ii. Adjustments made as a result of our reconciliation work; and
- iii. The adjusted aggregate flows and the differences that could not be resolved.

The templates submitted to the consultant contained a number of obvious errors in completion or omissions, which arose due to a combination of:

- i. inadequate understanding of the requirements, by Government departments and companies;
- ii. inadequate care over completion of the templates, particularly by the MOM – accounting department and YICOM; and
- iii. failure to make data adjustments requested, especially from YICOM.

8.2 2005 financial flows

8.2.1 Overview

Monetary payments and tariff facilities usage fees from companies to local Government	Year 2005							Unresolved differences USD
	Government USD	Company USD	Initial differences USD	Adjustment USD		Adjusted USD		
				Government	Company	Government	Company	
Production Bonuses	-	2,500,000	(2,500,000)	2,500,000	-	2,500,000	2,500,000	-
Training Bonuses	1,250,000	1,250,000	-	-	-	1,250,000	1,250,000	-
Institutional Bonus	1,200,000	1,200,000	-	-	-	1,200,000	1,200,000	-
Social Development Bonus	850,000	850,000	-	-	-	850,000	850,000	-
Signature Bonus	-	-	-	-	-	-	-	-
Excess recovery	-	13,657,262	(13,657,262)	13,657,262	-	13,657,262	13,657,262	-
Price adjustments	-	-	-	-	-	-	-	-
Audit Settlements	-	-	-	-	-	-	-	-
PSA Tax	1,855,471	1,666,618	188,853	(188,853)	-	1,666,618	1,666,618	-
Tariff Facilities Usage Fees	32,022,189	32,685,251	(663,062)	44,933	524,497	32,067,122	32,160,754	(93,632)
Total	37,177,660	53,809,131	(16,631,471)	16,013,342	524,497	53,191,002	53,284,634	(93,632)

8.2.2 Initial differences

2005 Financial flows			
Section	As reported by		Initial Differences USD
	Government Entities	Companies	
	USD	USD	
Production Bonuses	-	2,500,000	(2,500,000)
Training Bonuses	1,250,000	1,250,000	-
Institutional Bonus	1,200,000	1,200,000	-
Social Development Bonus	850,000	850,000	-
Signature Bonus	-	-	-
Excess recovery	-	13,657,262	(13,657,262)
Price adjustments	-	-	-
Audit Settlements	-	-	-
PSA Tax	1,855,471	1,666,618	188,853
Tariff Facilities Usage Fees	32,022,189	32,685,251	(663,062)
Total	37,177,660	53,809,131	(16,631,471)

The table above shows the net differences resulting from a comparison of the returns from the Covered Entities. Within this net figure, there were differences between reported payments and receipts as follows:

	USD
Payments reported by companies which exceed the corresponding receipts reported by Government Entities	(17,060,450)
Receipts reported by Government Entities which exceed the corresponding payments reported by companies	428,979

Following an initial review of the templates submitted by Covered Entities, it became clear that many companies had used accrual basis rather than the cash basis (that should be used) when completing the templates. In addition, the MOM accounting department did not report some of the monetary payments for the years 2005, 2006 and 2007.

8.2.3 *Adjusted flows and unresolved differences*

After correction of templates and reconciliation of differences to the extent possible, the unresolved discrepancies were as follows:-

2005 Financial flows				
Section	Initial Differences (net) USD	Adjustments made		Unresolved Differences (net) USD
		Government Entities USD	Companies USD	
Production Bonus	(2,500,000)	2,500,000	-	-
Training Bonus	-	-	-	-
Institutional Bonus	-	-	-	-
Social Development Bonus	-	-	-	-
Signature Bonus	-	-	-	-
Excess recovery	(13,657,262)	13,657,262	-	-
Price adjustments	-	-	-	-
Audit Settlements	-	-	-	-
PSA Tax	188,853	(188,852)	-	-
Tariff Facilities Usage Fees	(663,062)	44,933	524,497	(93,632)
Total	(16,631,471)	16,013,343	524,497	(93,632)

The table above shows the net differences resulting from a comparison of the returns from covered entities. Within this net figure, there were differences between the reported payments and receipts as follows:

	USD	USD
Payments reported by companies which exceed the corresponding receipts reported by Government Entities	(17,060,450)	(93,632)
Receipts reported by Government Entities which exceed the corresponding payments reported by companies	428,979	-

Differences represent:

- After our reconciliation work, there are discrepancies totalling USD 93,632 on Tariff Facilities Usage Fees (TFUF) which could not be resolved with the parties reporting the different figures. These discrepancies represent less than 1% of total TFUF received by the Government. This figure is not material in the context of the EITI exercise but the Council should consider whether they wish to investigate them further.

8.3 2006 financial flows

8.3.1 Overview

Year 2006								
Monetary payments and tariff facilities usage fees from companies to local Government	Government	Company	Initial differences USD	Adjustment		Adjusted		Unresolved differences USD
				Government	Company	Government	Company	
Production Bonuses	150,000	1,150,000	(1,000,000)	1,000,000	-	1,150,000	1,150,000	-
Training Bonuses	1,250,000	1,250,000	-	-	-	1,250,000	1,250,000	-
Institutional Bonus	1,250,000	1,250,000	-	-	-	1,250,000	1,250,000	-
Social Development Bonus	650,000	1,150,000	(500,000)	500,000	-	1,150,000	1,150,000	-
Signature Bonus	-	-	-	-	-	-	-	-
Excess recovery	-	58,307,900	(58,307,900)	58,307,909	-	58,307,909	58,307,900	9
Price adjustments	-	1,319,016	(1,319,016)	1,319,016	-	1,319,016	1,319,016	-
Audit Settlements	-	-	-	-	-	-	-	-
PSA Tax	1,518,284	1,668,355	(150,071)	150,071	-	1,668,355	1,668,355	-
Tariff Facilities Usage Fees	34,255,557	32,970,994	1,284,563	-	(854,900)	34,255,557	33,825,894	429,663
Total	39,073,841	99,066,265	(59,992,424)	61,276,996	(854,900)	100,350,837	99,921,165	429,672

8.3.2 Initial differences

2006 Financial flows			
Section	As reported by		Initial Differences USD
	Government Entities	Companies	
	USD	USD	
Production Bonuses	150,000	1,150,000	(1,000,000)
Training Bonuses	1,250,000	1,250,000	-
Institutional Bonus	1,250,000	1,250,000	-
Social Development Bonus	650,000	1,150,000	(500,000)
Signature Bonus	-	-	-
Excess recovery	-	58,307,900	(58,307,900)
Price adjustments	-	1,319,016	(1,319,016)
Audit Settlements	-	-	-
PSA Tax	1,518,284	1,668,355	(150,071)
Tariff Facilities Usage Fees	34,255,557	32,970,994	1,284,563
Total	39,073,841	99,066,265	(59,992,424)

The table above shows the net differences resulting from a comparison of the returns from covered entities. Within this net figure, there were differences between reported payments and receipts as follows:

	USD
Payments reported by companies which exceed the corresponding receipts reported by Government Entities	(61,377,815)
Receipts reported by Government Entities which exceed the corresponding payments reported by companies	1,385,391

8.3.3 Adjusted flows and unresolved differences

After correction of templates and reconciliation of differences to the extent possible, the unresolved discrepancies were as follows:-

2006 Financial flows				
Section	Initial Differences (net) USD	Adjustments made		Unresolved Differences (net) USD
		Government Entities	Companies	
		USD	USD	
Production Bonus	(1,000,000)	1,000,000	-	-
Training Bonus	-	-	-	-
Institutional Bonus	-	-	-	-
Social Development Bonus	(500,000)	500,000	-	-
Signature Bonus	-	-	-	-
Excess recovery	(58,307,900)	58,307,909	-	9
Price adjustments	(1,319,016)	1,319,016	-	-
Audit Settlements	-	-	-	-
PSA Tax	(150,071)	150,071	-	-
Tariff Facilities Usage Fees	1,284,563	-	(854,900)	429,663
Total	(59,992,424)	61,276,996	(854,900)	429,672

The table above shows the net differences resulting from a comparison of the returns from covered entities. Within this net figure, there were differences between reported payments and receipts as follows:

	USD	USD
Payments reported by companies which exceed the corresponding receipts reported by Government Entities	(61,377,815)	(155)
Receipts reported by Government Entities which exceed the corresponding payments reported by companies	1,385,391	429,827

After our reconciliation work, there remain discrepancies:

- TFUF differences totalling USD 429,663 which could not be resolved with the parties. These discrepancies represent around 1% of TFUF flows received by the Government. This figure is not material in the context of the EITI exercise but the Council should consider whether they wish to investigate them further.

8.4 2007 financial flows

8.4.1 Overview

Year 2007								
Monetary payments and tariff facilities usage fees from companies to local Government	Government	Company	Initial differences USD	Adjustment		Adjusted		Unresolved differences USD
				Government	Company	Government	Company	
Production Bonuses	-	1,000,000	(1,000,000)	1,000,000	-	1,000,000	1,000,000	-
Training Bonuses	1,250,000	1,250,000	-	-	-	1,250,000	1,250,000	-
Institutional Bonus	1,200,000	1,200,000	-	-	-	1,200,000	1,200,000	-
Social Development Bonus	850,000	850,000	-	-	-	850,000	850,000	-
Signature Bonus	2,755,000	2,755,000	-	-	-	2,755,000	2,755,000	-
Excess recovery	37,977,352	40,035,278	(2,057,926)	2,057,926	-	40,035,278	40,035,278	-
Price adjustments	-	-	-	-	-	-	-	-
Audit Settlements	2,795,033	2,795,033	-	-	-	2,795,033	2,795,033	-
PSA Tax	2,464,968	2,214,817	250,151	(250,151)	-	2,214,817	2,214,817	-
Tariff Facilities Usage Fees	31,552,188	31,150,738	401,450	390	(317,990)	31,552,578	31,468,728	83,850
Total	80,844,541	83,250,866	(2,406,325)	2,808,165	(317,990)	83,652,706	83,568,856	83,850

8.4.2 Initial flows

2007 Financial flows			
Section	As reported by		Initial Differences USD
	Government Entities	Companies	
	USD	USD	
Production Bonuses	-	1,000,000	(1,000,000)
Training Bonuses	1,250,000	1,250,000	-
Institutional Bonus	1,200,000	1,200,000	-
Social Development Bonus	850,000	850,000	-
Signature Bonus	2,755,000	2,755,000	-
Excess recovery	37,977,352	40,035,278	(2,057,926)
Price adjustments	-	-	-
Audit Settlements	2,795,033	2,795,033	-
PSA Tax	2,464,968	2,214,817	250,151
Tariff Facilities Usage Fees	31,552,188	31,150,738	401,450
Total	80,844,541	83,250,866	(2,406,325)

The table above shows the net differences resulting from a comparison of the returns from covered entities. Within this net figure, there were differences between reported payments and receipts as follows:

	USD
Payments reported by companies which exceed the corresponding receipts reported by Government Entities	(3,114,383)
Receipts reported by Government Entities which exceed the corresponding payments reported by companies	708,059

8.4.3 Adjusted financial flows and unresolved differences after reconciliation

Following much effort to reconcile the figures reported initially by the Covered Entities, including meetings with companies and Government entities, as we reported on progress to the YEITI Council on a weekly basis, the unresolved discrepancies were as follows:-

2007 Financial flows				
Section	Initial Differences (net) USD	Adjustments made		Unresolved Differences (net) USD
		Government Entities USD	Companies USD	
		Production Bonus	(1,000,000)	
Training Bonus	-	-	-	-
Institutional Bonus	-	-	-	-
Social Development Bonus	-	-	-	-
Signature Bonus	-	-	-	-
Excess recovery	(2,057,926)	2,057,926	-	-
Price adjustments	-	-	-	-
Audit Settlements	-	-	-	-
PSA Tax	250,151	(250,151)	-	-
Tariff Facilities Usage Fees	401,450	390	(317,990)	83,850
Total	(2,406,325)	2,808,165	(317,990)	83,850

The table above shows the net differences resulting from a comparison of the returns from covered entities. Within this net figure, there were differences between reported payments and receipts as follows:

	USD	USD
Payments reported by companies which exceed the corresponding receipts reported by Government Entities	(3,114,383)	-
Receipts reported by Government Entities which exceed the corresponding payments reported by companies	708,059	83,850

After our reconciliation work, unresolved differences represent:

- After our reconciliation work, there are discrepancies totalling USD 83,850 on TFUF which could not be resolved with the parties reporting the different figures. These discrepancies represent less than 1% of total TFUF received by the Government. This figure is not material in the context of the EITI exercise but the Council should consider whether they wish to investigate them further.

9 ISSUES AND RECOMMENDATIONS

9.1 Timeliness of reconciliation

The reconciliation has proved difficult to complete for a number of reasons, the root cause of which is the long delay between the end of the reporting period and the commencement of the reconciliation. For example:

- Companies operating in Yemen in 2005 are in some cases no longer present. Personnel who worked in the sector in 2005 are no longer accessible to provide explanations.
- The elapsed time makes it more difficult to access relevant documentation. Document retention policies of some entities have not required documents to be retained.
- On publication of the EITI reconciliation report, it can be expected that readers will ask why the period covered is not recent.

We recommend that the Council bring the EITI reconciliation process up to date. The Council should establish a benchmark that the reconciliation should be completed within, say, six months of the end of the relevant year.

9.2 Cash basis accounting

Much time was wasted and effort required resolving differences that arose on company templates which had been completed using the accruals basis rather than the cash basis, as per the template instructions. We acknowledge that company financial reporting is generally done on an accruals basis but this is inappropriate for EITI reporting and had been specifically decided by the Council.

We recommend that, for future reconciliations, company representatives on the Council be requested to liaise directly with the counterpart company personnel in other companies who will complete the templates to emphasise the need to report cash transactions only.

9.3 Delays in completion of data templates

The reconciliation process was delayed by certain entities that did not return their data templates within the requested timescale.

We recommend that:

- (a) The Council, in discussion with stakeholders, establish a timescale for the reconciliation that is generally agreed to be realistic.
- (b) The Council, in discussion with the MOF, speed up the process of completing the templates and return it back to the reconciler.

9.4 Incomplete Government data

The marketing department of the YOGC found it a difficult task to report on crude oil exports and transfers to refinery by shipments. Instead reported quantities and values were reported on monthly basis. This made it difficult for us to identify differences and refer them back to their original Block source.

The accounting department found it difficult to go back to their documents archives to get supporting documents for reported figures on specific types of financial flows including excess recovery payments, price adjustment payments and production bonus payments and a reference has been made to the Ministry Of Finance.

We recommend that:

- (a) The Council stress to the YOGC of maintaining detailed records of crude oil quantities for easy reference.
- (b) the Council stress to all Government entities the importance of having proper archiving so that easy reference to reported figures can be made.

These problems would be eased if the EITI reconciliation were performed more promptly after the end of the relevant accounting period (recommendation 9.1).

9.5 Government audit

We requested confirmation that data from Government entities had been audited. No confirmation was received.

We recommend that the Council review the status of auditing in the Government with reference to EITI Criterion # 2.

9.6 EITI Criteria

We sought confirmation that company data and government data had been audited in accordance with international standards. Confirmation was lacking in many cases, as set out in paragraph 2.7 and the Appendices to this report.

We recommend that the Council review this situation and consider for future reconciliations how the evidence of appropriate audit might be acquired.

9.7 Mining and gas

We recommend that the Council consider including mining and gas activities within the scope of YEITI.

APPENDICES

- A. Letters of representation from companies
- B. Auditor confirmations
- C. Financial statements received
- D. Reconciler's Terms of Reference

10 APPENDIX A. - Letters of Representation from companies

During our audit, we have requested from the management of each company to provide us a letter of representative, text of which is included in the Appendix. Replies were received as follow:

Company Name	Letter Received
"Dove Energy Yemen Limited"	Yes
"DNO Yemen"	Yes
"Calvalley Petroleum (Cyprus) Ltd."	Yes
"Occidental Of Yemen (Block S-1), Inc."	O/S
"Canadian Nexen Petroleum Yemen"	Yes
"Canadian Nexen East Al Hajr Ltd"	Yes
"Total E&P Yemen"	Yes
"OMV (YEMEN BLOCK S2) EXPLORATION GmbH"	Yes
"Jannah Hunt Oil Company"	Yes
"Safer E&P Operation Company"	Yes
"Yemen Company For Investment In Oil And Minerals"	Yes
"KNOC Yemen Ltd"	Yes

Out of 12 companies, 9 companies have replied to the representation letter request and the remaining three companies have not replied.

"O/S" indicates that the representation letter was not provided within the timeframe mandated by the Council. The letters received are bound separately.

The text of the letter of representation which companies were requested to sign is as follows:

[on reporting entity's letterhead]

[date]

Hart Nurse Ltd

The Old Coach House, Southern Road, Thame, Oxfordshire, OX9 2ED, UK

Dear Sirs,

YEMEN EXTRACTIVE INDUSTRY TRANSPARENCY INITIATIVE (YEITI)

In connection with the reconciliation being undertaken for the Yemen EITI Council, we confirm that to the best of our knowledge and belief:

1. we have fully declared, in the reporting templates returned to you, the financial amounts paid and/or received by us in the calendar years 2005, 2006 and 2007, as regards the financial flows specified by the Council;
2. the amounts set out in the reporting templates were extracted from books and records of [name of entity] that formed the basis for preparation of financial statements covering that period; the amounts set out in the templates are consistent with the respective financial statements, a copy of which have been provided to you;
3. [if reporting entity reports transactions in oil] the number of barrels lifted on behalf of the Government and YOGC is based on the terminal stock records and is consistent with the financial statements].

We confirm that the above representations are made on the basis of extensive enquiries of management and staff with the relevant knowledge and experience, including where appropriate the inspection of supporting documentation, sufficient to satisfy ourselves that we can properly make each of these representations to you.

Yours faithfully,

[signed under the authority of the board]

11 APPENDIX B. - Auditor confirmations received

Companies were asked to request their auditors to confirm whether the financial statements of the company were audited in accordance with International Auditing Standards in each of the three years.

They were also asked to confirm that the data provided on the templates was consistent with the audited financial statements, or to state exceptions.

Company Name	Did auditors confirm that financial statements were audited in accordance with international standards on auditing?			Auditor template confirmation received?
	2005	2006	2007	
Dove Energy Yemen Limited (Block 53)	~ISA	~ISA	~ISA	~No
DNO Yemen" (Block 43)	Yes - ISA	Yes - ISA	Yes - ISA	Yes
DNO Yemen (Block 32)	Yes - ISA	Yes - ISA	Yes - ISA	Yes
Calvalley Petroleum (Cyprus) Ltd.	O/S	O/S	O/S	No
Occidental Of Yemen (Block S-1), Inc. (Formerly Vintage Petroleum Yemen Inc)	Yes - ISA	Yes - ISA	Yes - ISA	Yes
Canadian Nexen Petroleum Yemen	Yes - ISA	Yes - ISA	Yes - ISA	Yes
Canadian Nexen East Al Hajr Ltd	Yes - ISA	Yes - ISA	Yes - ISA	Yes
Total E&P Yemen	Yes - ISA	Yes - ISA	Yes - ISA	Yes
OMV (YEMEN BLOCK S2) EXPLORATION GmbH	O/S	O/S	O/S	No
Jannah Hunt Oil Company	Yes - ISA	Yes - ISA	Yes - ISA	Yes
Safer E&P Operation Company (Block 18)	n/a	Yes - ISA	Yes - ISA	Yes
Yemen Company For Investment In Oil And Minerals	~~No	~~No	~~No	~~No
KNOC Yemen Ltd	n/a	n/a	~~~ISA	~~~No

Notes:

Yes – ISA indicates that the auditor confirmed that the audit was conducted in accordance with International Standards on Auditing.

ISA indicates that the audit reports appended to the financial statements state that the audit was conducted in accordance with International Standards on Auditing.

~ The company explained that their auditors for 2005-2007 were firms that no longer exist

~~ The company stated that COCA was not able to provide such confirmation

~~~ The company informed us that it was not cost-effective to provide this letter

O/S indicates that copies of the audited financial statements were not provided within the timeframe mandated by the Council, nor was any confirmation available from auditors.

n/a indicates that the company had no operations or no financial statements for that year

It should be noted that no auditor confirmation was received in respect of Government entities.

Letters received are bound separately.

## 12 APPENDIX C. – Financial Statement copies received

Companies were asked to provide copies of their financial statements. The table shows those statements that were received (✓) and whether the audit report was qualified.

| Company Name                                                                    | Were financial statements received and were the attached audit reports unqualified? |               |               |
|---------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|---------------|---------------|
|                                                                                 | 2005                                                                                | 2006          | 2007          |
| Dove Energy Yemen Limited (Block 53)                                            | ✓                                                                                   | ✓             | ✓             |
| DNO Yemen” (Block 43)                                                           | ✓ (qualified)                                                                       | ✓             | ✓             |
| DNO Yemen (Block 32)                                                            | ✓ (qualified)                                                                       | ✓             | ✓             |
| Calvalley Petroleum (Cyprus) Ltd.                                               | n/a                                                                                 | ✓ (qualified) | ✓ (qualified) |
| Occidental Of Yemen (Block S-1), Inc.<br>(Formerly Vintage Petroleum Yemen Inc) | ✓                                                                                   | ✓             | ✓             |
| Canadian Nexen Petroleum Yemen                                                  | ✓                                                                                   | ✓             | ✓             |
| Canadian Nexen East Al Hajr Ltd                                                 | ✓                                                                                   | ✓             | ✓             |
| Total E&P Yemen                                                                 | ✓                                                                                   | ✓             | ✓             |
| OMV (YEMEN BLOCK S2) EXPLORATION GmbH                                           | O/S                                                                                 | O/S           | O/S           |
| Jannah Hunt Oil Company                                                         | O/S                                                                                 | O/S           | O/S           |
| Safer E&P Operation Company (Block 18)                                          | n/a                                                                                 | ✓             | ✓             |
| Yemen Company For Investment In Oil And Minerals                                | ✓                                                                                   | ✓ (qualified) | ✓ (qualified) |
| KNOC Yemen Ltd                                                                  | n/a                                                                                 | n/a           | ✓             |

O/S indicates that copies of the audited financial statements are awaited

n/a indicates that the company had no operations or no financial statements for that year

### 13 APPENDIX D. – Reconciler’s Terms of Reference

The accounting firm shall have the following Scope of Work and/or Terms of Reference:

1. The accounting firm will review the Reporting Templates developed by the Council as attached in Annex 2 and provide its comments as to whether:
  - I. The data supplied in the Reporting Templates will be sufficient to ensure that the publication of the YEITI Final Report will be comprehensive and comprehensible.
  - II. The Reporting Templates are consistent with the payment categories clearly defined in the PSAs.
  - III. The level of materiality is reasonable. That is, the point at which identified inconsistencies between the Government and Companies Reporting Templates are considered inconsistencies or unreconciled items for the purposes of this engagement. For this engagement, the Council has deemed that materiality of inconsistencies or unreconciled items for any payment category is a Government reported figure higher or lower by more than 5% as compared to that reported by the company .
  - IV. The reporting Templates include all the payment categories for which the Companies are subject to:
    - a) under the provisions of the respective PSAs
    - b) based on agreement, if any, concluded between the MOM and the Companies.

The accounting firm shall develop with input from the council and propose for the council's decision and confirmation a Final Report Format ( in both English and Arabic Languages ) . The accounting firm then seek and obtain from the Council a formal notice approved by all Council members on the Final Report Format .

2. Completed Reporting Templates for each of the Companies prepared by the Government on payments/ allocations received by the Government from the Companies and based on Governmental records will be sent directly to the accounting firm.
3. During the final week of March 2010 or following the signing of an engagement contract , an initial meeting between the accounting firm and the Council to discuss the scope of work and issues that the accounting firm may be encountering shall be held in Sana'a .
4. The accounting firm will then examine all submitted Reporting Templates to identify any inconsistencies (the amounts of monies and volumes of production) between the completed Reporting Templates of Government and Companies.
5. Where material inconsistencies as defined in the section A.1.(III) above are identified, they will be brought by the accounting firm to the attention of the relevant reporting entities (both Government and individual companies) who will then be requested to submit supporting documentation for their reported figures (copies of the payment orders to) in order that a means of reconciliation can be found. The accounting firm will schedule clarification meetings with the relevant reporting entities as appropriate to aid the reconciliation process and will keep the Council informed of such meetings and keep minutes of the meetings .



6. Upon completion of the reconciliation of all reports, the accounting firm shall prepare the YEITI Final Report (the "Report") which shall be comprised of the reconciled payments/allocations made to Government by the Companies and the reconciled revenues/allocations received by the Government from the Companies for the periods, 2005, 2006 and 2007 detailing payment categories on a company aggregated basis. The Final Report shall be accompanied by the accounting firm 's opinion of:
  - a) The materiality or immateriality of inconsistencies found in, between or among the Reporting Templates;
  - b) How the inconsistencies were reconciled or resolved;
  - c) The completeness of the data in relation to the total corporate presence in the relevant sectors; and
  - d) The accuracy and comprehensiveness of all completed Reporting Templates received.

The Companies reporting and failing to report should be listed and identified as reporting or not in the Final Report.
7. The Report of the accounting firm shall be submitted and presented by the accounting firm to the Council within the time frame as per the schedule provided in Annex 3 .
8. The accounting firm shall observe confidentiality towards all parties and their reported data, except as required to be disclosed in keeping with these Terms of Reference, and/or any other requirement agreed by all members of the Council. The requirement of confidentiality shall survive the completion of the accounting firm 's performance of its contract with the YEITI.
9. The reporting requirements of the accounting firm shall consist of the followings:
  - a. Comments on the Draft Reporting Templates in addition to seeking and obtaining the Council's formal approval on the Final Reporting Templates, as provided for in point 1 above,
  - b. Regular progress update meetings with the Council as may be requested (in Sana'a unless otherwise agreed); and
  - c. The accounting firm's Report, as provided for in points 7, 8, and 9 above.

**Attachments to Appendix A. - Letters of Representation from companies**



## **DOVE ENERGY LIMITED**

**October 2, 2010**

Hart Nurse Ltd  
The Old Coach House, Southern Road, Thame, Oxfordshire, OX9 2ED, UK

Dear Sirs,

### **YEMEN EXTRACTIVE INDUSTRY TRANSPARENCY INITIATIVE (YEITI)**

In connection with the reconciliation being undertaken for the Yemen EITI Council, we confirm that to the best of our knowledge and belief:

1. we have fully declared, in the reporting templates returned to you, the financial amounts paid and/or received by us in the calendar years 2005, 2006 and 2007, as regards the financial flows specified by the Council;
2. the amounts set out in the reporting templates were extracted from books and records of Dove Energy Limited, Block 53 that formed the basis for preparation of financial statements covering that period; the amounts set out in the templates are consistent with the respective financial statements, a copy of which have been provided to you;
3. the number of barrels lifted on behalf of the government and YOGC is based on the terminal stock records and is consistent with the financial statements.

We confirm that the above representations are made on the basis of extensive enquiries of management and staff with the relevant knowledge and experience, including where appropriate the inspection of supporting documentation, sufficient to satisfy ourselves that we can properly make each of these representations to you.

Yours faithfully,

**For and on behalf of Dove Energy Limited**

**Phil Clegg**  
**General Manager**



Sana'a, June 19, 2010

Hart Nurse Ltd  
The Old Coach House,  
Southern Road, Thame,  
Oxfordshire, OX9 2ED,  
United Kingdom

Dear Sirs,

**YEMEN EXTRACTIVE INDUSTRY TRANSPARENCY INITIATIVE (YEITI)**

In connection with the reconciliation being undertaken for the Yemen EITI Council, we confirm that to the best of our knowledge and belief:

1. we have fully declared, in the reporting templates returned to you, the financial amounts paid and/or received by us in the calendar years 2005, 2006 and 2007, as regards the financial flows specified by the Council;
2. the amounts set out in the reporting templates were extracted from books and records of DNO Yemen AS (Block 32) that formed the basis for preparation of financial statements covering that period; the amounts set out in the templates are consistent with the respective financial statements, a copy of which have been provided to you;
3. DNO Yemen AS (Block 32) the number of barrels lifted on behalf of the government and YOGC is based on the terminal stock records and is consistent with the financial statements.

We confirm that the above representations are made on the basis of extensive enquiries of management and staff with the relevant knowledge and experience, including where appropriate the inspection of supporting documentation, sufficient to satisfy ourselves that we can properly make each of these representations to you.

Yours faithfully,

**Colin Kramer**  
**General Manager**  
**DNO Yemen AS**

---

**Office address:**  
Street No. 8 off Damascuss Street

**Mailing address:**  
P.O. Box 16133  
Sana'a, Republic of Yemen

**Telephone:** +967-1-428230  
**Telefax:** +967-1-428231  
**E-Mail:** vilva@dno.no



## DNO Yemen AS (B43)

Sana'a, June 19, 2010

Hart Nurse Ltd  
The Old Coach House,  
Southern Road, Thame,  
Oxfordshire, OX9 2ED,  
United Kingdom

Dear Sirs,

### YEMEN EXTRACTIVE INDUSTRY TRANSPARENCY INITIATIVE (YEITI)

In connection with the reconciliation being undertaken for the Yemen EITI Council, we confirm that to the best of our knowledge and belief:

1. we have fully declared, in the reporting templates returned to you, the financial amounts paid and/or received by us in the calendar years 2005, 2006 and 2007, as regards the financial flows specified by the Council;
2. the amounts set out in the reporting templates were extracted from books and records of DNO Yemen AS (Block 43) that formed the basis for preparation of financial statements covering that period; the amounts set out in the templates are consistent with the respective financial statements, a copy of which have been provided to you;
3. DNO Yemen AS (Block 43) the number of barrels lifted on behalf of the government and YOGC is based on the terminal stock records and is consistent with the financial statements.

We confirm that the above representations are made on the basis of extensive enquiries of management and staff with the relevant knowledge and experience, including where appropriate the inspection of supporting documentation, sufficient to satisfy ourselves that we can properly make each of these representations to you.

Yours faithfully,

**Colin Kramer**  
**General Manager**  
**DNO Yemen AS**



October 2, 2010

Hart Nurse Ltd  
The Old Coach House, Southern Road,  
Thame, Oxfordshire, OX9 2ED, UK

Dear Sirs,

**YEMEN EXTRACTIVE INDUSTRY TRANSPARENCY INITIATIVE (YEITI)**

In connection with the reconciliation being undertaken for the Yemen EITI Council, we confirm that to the best of our knowledge and belief:

1. we have fully declared, in the reporting templates returned to you, the financial amounts paid by us in the calendar years 2005, 2006 and 2007, as regards the financial flows specified by the Council;
2. the amounts set out in the reporting templates were extracted from books and records of Calvalley Petroleum Cyprus Ltd. that formed the basis for preparation of financial statements covering that period; the amounts set out in the templates are consistent with the respective financial statements, a copy of which have been provided to you;

We confirm that the above representations are made on the basis of extensive enquiries of management and staff with the relevant knowledge and experience, including where appropriate the inspection of supporting documentation, sufficient to satisfy ourselves that we can properly make each of these representations to you.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'M. Nadim Iqbal', written over a faint, larger version of the eagle logo.

M. Nadim Iqbal

V.P. Finance



August 15, 2010

Ref.: CNPY-L256/0810

Hart Nurse Ltd  
The Old Coach House, Southern Road, Thame, Oxfordshire, OX9 2ED, UK

**Representation letter**

Dear Sirs,

**YEMEN EXTRACTIVE INDUSTRY TRANSPARENCY INITIATIVE (YEITI)**

In connection with the reconciliation being undertaken for the Yemen EITI Council, we confirm that to the best of our knowledge and belief:

1. we have fully declared, in the reporting templates returned to you, the financial amounts paid and/or received by us in the calendar years 2005, 2006 and 2007, as regards the financial flows specified by the Council;
2. the amounts set out in the reporting templates were extracted from books and records of **Canadian Nexen Petroleum Yemen** that formed the basis for preparation of financial statements covering that period; the amounts set out in the templates are consistent with the respective financial statements, a copy of which have been provided to you;
3. the number of barrels reported on behalf of the government is based on the terminal stock records and is consistent with the financial statements.

We confirm that the above representations are made on the basis of extensive enquiries of management and staff with the relevant knowledge and experience, including where appropriate the inspection of supporting documentation, sufficient to satisfy ourselves that we can properly make each of these representations to you.

**Vice President – Finance**



**Don Rettie / Mohamed Binsumait**

August 15, 2010

Ref.: CNPE-L137/0810

Hart Nurse Ltd  
The Old Coach House, Southern Road, Thame, Oxfordshire, OX9 2ED, UK

**Representation letter**

Dear Sirs,

**YEMEN EXTRACTIVE INDUSTRY TRANSPARENCY INITIATIVE (YEITI)**

In connection with the reconciliation being undertaken for the Yemen EITI Council, we confirm that to the best of our knowledge and belief:

1. we have fully declared, in the reporting templates returned to you, the financial amounts paid and/or received by us in the calendar years 2005, 2006 and 2007, as regards the financial flows specified by the Council;
2. the amounts set out in the reporting templates were extracted from books and records of **Canadian Nexen Petroleum East Al Hajr Ltd.** that formed the basis for preparation of financial statements covering that period; the amounts set out in the templates are consistent with the respective financial statements, a copy of which have been provided to you;
3. the number of barrels reported on behalf of the government and TYCO is based on the terminal stock records and is consistent with the financial statements.

We confirm that the above representations are made on the basis of extensive enquiries of management and staff with the relevant knowledge and experience, including where appropriate the inspection of supporting documentation, sufficient to satisfy ourselves that we can properly make each of these representations to you.

**Vice President – Finance**

A handwritten signature in blue ink, appearing to read "Don Rettie".

**Don Rettie / Mohamed Binsumait**



Hart Nurse Ltd  
The Old Coach House, Southern Road,  
Thame, Oxfordshire, OX9 2ED, UK

Ref.: YE/MD/121-L/2010/ma

Date: 17 August 2010

**RE: YEMEN EXTRACTIVE INDUSTRY TRANSPARENCY INITIATIVE (YEITI)**

Dear Sirs,

In connection with the reconciliation being undertaken for the Yemen EITI Council, we confirm that to the best of our knowledge and belief:

1. we have fully declared, in the reporting templates returned to you, the financial amounts paid and/or received by us in the calendar years 2005, 2006 and 2007, as regards the financial flows specified by the Council;
2. the amounts set out in the reporting templates were extracted from books and records of Total E&P Yemen that formed the basis for preparation of financial statements covering that period; the amounts set out in the templates are consistent with the respective financial statements, a copy of which have been provided to you;

We confirm that the above representations are made on the basis of extensive enquiries of management and staff with the relevant knowledge and experience, including where appropriate the inspection of supporting documentation, sufficient to satisfy ourselves that we can properly make each of these representations to you.

Yours Respectfully,

  
**Hatem NUSEIBEH**  
Managing Director



Hart Nurse Ltd  
The Old Coach House, Southern Road, Thame, Oxfordshire, OX9 2ED,  
UK

Dear Sirs,

**YEMEN EXTRACTIVE INDUSTRY TRANSPARENCY INITIATIVE (YEITI)**

In connection with the reconciliation being undertaken for the Yemen EITI Council, we confirm that to the best of our knowledge and belief:

1. we have fully declared, in the reporting templates returned to you, the financial amounts paid and/or received by us in the calendar years 2005, 2006 and 2007, as regards the financial flows specified by the Council;
2. the amounts set out in the reporting templates were extracted from books and records of OMV (Yemen BlockS2 Exploration GmbH that formed the basis for preparation of financial statements covering that period; the amounts set out in the templates are consistent with the respective financial statements, a copy of which have been provided to you;

OMV Exploration & Production

Norbert Gröschner  
General Manager

Tel. +967 (1) 428860/1/2/3/4  
Fax +967 (1) 421984

We confirm that the above representations are made on the basis of extensive enquiries of management and staff with the relevant knowledge and experience, including where appropriate the inspection of supporting documentation, sufficient to satisfy ourselves that we can properly make each of these representations to you.

او ام في (يمن بلوك اس 2)  
إكسپلوريشن جي.إم.بي.اتش

OMV (Yemen Block S2)  
Exploration GmbH  
P.O Box 15361,  
Faj Attan, Beirut Street,  
Hadda District  
Sana'a, Yemen

Yours faithfully,

Norbert Gröschner  
General Manager  
OMV (Yemen Block S2) Exploration GmbH



Registered at:  
Handelsgericht Wien  
Company Registration No. 236147 a  
Registered Office: Vienna

Registered Address:  
Trabrennstrasse 6-8  
A-1020 Vienna  
Austria

www.omv.com

**JANNAH HUNT OIL COMPANY**

Commercial Registration No: 21/1629

P.O. Box 16084

Sana'a, Republic of Yemen

Telephone: 967-1-414-060

Telefax: 967-1-414-632

شركة هنت-جنت للنفط

سجل تجاري رقم: ٢١/١٦٢٩

ص.ب. ١٦٠٨٤

صنعا، الجمهورية اليمنية

هاتف: ٩٦٧-١-٤١٤-٠٦٠

فاكس: ٩٦٧-١-٤١٤-٦٣٢

August 14, 2010

Our Ref.: GM/247/KMG/2010

Hart Nurse Ltd

The Old Coach House, Southern Road, Thame, Oxfordshire, OX9 2ED, UK

Dear Sirs,

**YEMEN EXTRACTIVE INDUSTRY TRANSPARENCY INITIATIVE (YEITI)**

In connection with the reconciliation being undertaken for the Yemen EITI Council, we confirm that to the best of our knowledge and belief:

1. We have fully declared, in the reporting templates returned to you, the financial amounts paid and/or received by us in the calendar years 2005, 2006 and 2007, as regards the financial flows specified by the Council;
2. The amounts set out in the reporting templates were extracted from books and records of [Jannah Hunt Oil Company, As the operator for Block 5] that formed the basis for preparation of financial statements covering that period; the amounts set out in the templates are consistent with the respective financial statements, a copy of which have been provided to you;

We confirm that the above representations are made on the basis of extensive enquiries of management and staff with the relevant knowledge and experience, including where appropriate the inspection of supporting documentation, sufficient to satisfy ourselves that we can properly make each of these representations to you.

Yours faithfully



Michael Graham,  
General Manager.



October, 03 2010

Hart Nurse Ltd  
The Old Coach House, Southern Road, Thame, Oxfordshire, OX9 2ED, UK

Dear Sirs,

**YEMEN EXTRACTIVE INDUSTRY TRANSPARENCY INITIATIVE (YEITI)**

In connection with the reconciliation being undertaken for the Yemen EITI Council, we confirm that to the best of our knowledge and belief:

1. we have fully declared, in the reporting templates returned to you, the financial amounts paid and/or received by us in the calendar years 2005, 2006 and 2007, as regards the financial flows specified by the Council;
2. the amounts set out in the reporting templates were extracted from books and records of Safer Exploration and production operations company that formed the basis for preparation of financial statements covering that period; the amounts set out in the templates are consistent with the respective financial statements, a copy of which have been provided to you;
3. [If reporting entity reports transactions in oil] the number of barrels lifted on behalf of the government and YOGC is based on the terminal stock records and is consistent with the financial statements.

We confirm that the above representations are made on the basis of extensive enquiries of management and staff with the relevant knowledge and experience, including where appropriate the inspection of supporting documentation, sufficient to satisfy ourselves that we can properly make each of these representations to you.

Yours faithfully,  
[signed under the authority of the board]





**Yemen Company for  
Investment in Oil and Minerals  
Sana'a - Republic of Yemen**



**الشركة اليمنية  
للإستثمارات النفطية والمعدنية  
صنعا - الجمهورية اليمنية**

No. : GMM/140/10

Date : 17/10/10

الرقم : .....

التاريخ : .....

Hart Nurse Ltd  
The Old Coach House, Southern Road, Thame, Oxfordshire, OX9 2ED, UK

Dear Sirs,

**YEMEN EXTRACTIVE INDUSTRY TRANSPARENCY INITIATIVE (YEITI)**

In connection with the reconciliation being undertaken for the Yemen EITI Council, we confirm that to the best of our knowledge and belief:

1. we have fully declared, in the reporting templates returned to you, the financial amounts paid and/or received by us in the calendar years 2005, 2006 and 2007, as regards the financial flows specified by the Council;
2. the amounts set out in the reporting templates were extracted from books and records of Yemen Company for Investment in Oil and Minerals that formed the basis for preparation of financial statements covering that period; the amounts set out in the templates are consistent with the respective financial statements, a copy of which have been provided to you;
3. [if reporting entity reports transactions in oil] the number of barrels lifted on behalf of the government and YOGC is based on the terminal stock records and is consistent with the financial statements.

We confirm that the above representations are made on the basis of extensive enquiries of management and staff with the relevant knowledge and experience, including where appropriate the inspection of supporting documentation, sufficient to satisfy ourselves that we can properly make each of these representations to you.

Yours faithfully,

**Ali Al-Kadi**

**Executive General Manage**





**KNOC  
Yemen Limited**

PO Box 19633, 14 Oct. Street,  
Behind the hamadi grocery  
Haddah, Sana'a, Republic of Yemen

Tel : 967-1-430936  
Fax: 967-1-429321

**Date: 10<sup>th</sup> Aug 2010**

**Ref. No.: KNOCYL B 4-10-1066**

Hart Nurse Ltd  
The Old Coach House, Southern Road, Thame, Oxfordshire, OX9 2ED, UK

Dear Sirs,

**YEMEN EXTRACTIVE INDUSTRY TRANSPARENCY INITIATIVE (YEITI)**

In connection with the reconciliation being undertaken for the Yemen EITI Council, we confirm that to the best of our knowledge and belief:

1. we have fully declared, in the reporting templates returned to you, the financial amounts paid and/or received by us in the calendar years 2005, 2006 and 2007, as regards the financial flows specified by the Council;
2. the amounts set out in the reporting templates were extracted from books and records of KNOC Yemen Ltd that formed the basis for preparation of financial statements covering that period; the amounts set out in the templates are consistent with the respective financial statements, a copy of which have been provided to you;

We confirm that the above representations are made on the basis of extensive enquiries of management and staff with the relevant knowledge and experience, including where appropriate the inspection of supporting documentation, sufficient to satisfy ourselves that we can properly make each of these representations to you.

Yours faithfully,

  
**Ahmed Abdan Noman  
Deputy General Manager  
KNOC Yemen Ltd- Block 4**



## **Attachments to Appendix B. - Auditor Confirmations Received**





**KPMG Mejanni, Hazem Hassan & Co.**  
**Public Accountants**  
150 Zubairy St.  
PO Box 3501  
Sana'a, Republic of Yemen

Telephone +967 (1) 401 667 / 8 / 9  
Fax +967 (1) 206 130  
Internet www.kpmg.com.ye

Hart Nurse Ltd.  
Chartered Accountants  
The Old Coach House  
Southern Road  
Thame  
Oxfordshire PX92ED  
United Kingdom

August 24, 2010

Dear Sirs:

### **Report on Annexed Data for EITI Reconciliation**

In connection with the Yemen Extractive Industries Transparency Initiative (EITI) reconciliation for the calendar years 2005 and 2006 and 2007, DNO Yemen AS – Yemen Branch (as the Operator for Block 32, Howarime Concession, Hadramout Province) submitted data to you in respect of transactions concerning Block 32, Howarime Concession, Hadramout Province in the Republic of Yemen. We confirm that:

1. We performed an audit of the financial statements that included the said activities for the years ended December 31, 2005 and 2006 and 2007 in accordance with the then applicable International Standards on Auditing; and
2. The data submitted, a copy of which is annexed to this report for identification purposes (Appendix C: A1, F1, F2, F3), is consistent with the audited financial statements of the reporting entity for those years.

This report is issued at the request of DNO Yemen AS – Yemen Branch solely for the use of Hart Nurse Ltd. and EITI based on the instructions of the Ministry of Oil and Minerals of the Republic of Yemen in relation to Yemen's membership in EITI, and is not to be used for any other purpose or disclosed to any third parties without our written consent.

Yours faithfully,

  
**M. Zohdi Mejanni**  
*Senior Partner*







**KPMG Mejanni, Hazem Hassan & Co.**  
**Public Accountants**  
150 Zubairy St.  
PO Box 3501  
Sana'a, Republic of Yemen

Telephone +967 (1) 401 667 / 8 / 9  
Fax +967 (1) 206 130  
Internet www.kpmg.com.ye

Hart Nurse Ltd.  
Chartered Accountants  
The Old Coach House  
Southern Road  
Thame  
Oxfordshire PX92ED  
United Kingdom

August 24, 2010

Dear Sirs:

### **Report on Annexed Data for EITI Reconciliation**

In connection with the Yemen Extractive Industries Transparency Initiative (EITI) reconciliation for the calendar years 2005 and 2006 and 2007, DNO Yemen AS – Yemen Branch (as the Operator for Block 43, South Howarime Concession, Hadramout Province) submitted data to you in respect of transactions concerning Block 43, South Howarime Concession, Hadramout Province in the Republic of Yemen. We confirm that:

1. We performed an audit of the financial statements that included the said activities for the years ended December 31, 2005 and 2006 and 2007 in accordance with the then applicable International Standards on Auditing; and
2. The data submitted, a copy of which is annexed to this report for identification purposes (Appendix C: A1, F1, F2, F3), is consistent with the audited financial statements of the reporting entity for those years.

This report is issued at the request of DNO Yemen AS – Yemen Branch solely for the use of Hart Nurse Ltd. and EITI based on the instructions of the Ministry of Oil and Minerals of the Republic of Yemen in relation to Yemen's membership in EITI, and is not to be used for any other purpose or disclosed to any third parties without our written consent.

Yours faithfully,

  
**M. Zohdi Mejanni**  
*Senior Partner*







KPMG Mejanni, Hazem Hassan & Co.  
Public Accountants  
150 Zubairy St.  
PO Box 3501  
Sana'a, Republic of Yemen

Telephone +967 (1) 401 667 / 8 / 9  
Fax +967 (1) 206 130  
Internet www.kpmg.com.ye

Hart Nurse Ltd.  
Chartered Accountants  
The Old Coach House  
Southern Road  
Thame  
Oxfordshire PX92ED  
United Kingdom

August 23, 2010

Dear Sirs:

#### Report on Annexed Data for EITI Reconciliation

In connection with the Yemen Extractive Industries Transparency Initiative (EITI) reconciliation for the calendar years 2005 and 2006 and 2007, Occidental of Yemen (Block S-1), Inc. – Yemen Branch (as the Operator for Block S-1, Damis Concession) submitted data to you in respect of transactions concerning Block S-1, Damis Concession in the Republic of Yemen. We confirm that:

1. We performed an audit of the financial statements that included the said activities for the years ended December 31, 2005 and 2006 and 2007 in accordance with the then applicable International Standards on Auditing;
2. The data submitted, a copy of which is annexed to this report for identification purposes (Appendix C: A1, F1, F2, F3), is consistent with the audited financial statements of the reporting entity for those years.

#### *Emphasis of Matter*

The information presented in the attachments up to March 2006 are based on Vintage Petroleum Yemen, Inc. – Yemen Branch's records, the previous operator for Block S-1, Damis Concession.

This report is issued at the request of Occidental of Yemen (Block S-1), Inc. – Yemen Branch solely for the use of Hart Nurse Ltd. and EITI based on the instructions of the Ministry of Oil and Minerals of the Republic of Yemen in relation to Yemen's membership in EITI, and is not to be used for any other purpose or disclosed to any third parties without our written consent.

Yours faithfully,

  
M. Zohdi Mejanni  
Senior Partner



**Hart Nurse Ltd. Chartered Accountants**  
**The Old Coach House**  
**Southern Proad**  
**Theme**  
**Oxfordshire OX92ED**  
**UK**

**Audit, Tax, Advisory**  
**Grant Thornton Yemen**  
Algeria St.  
Sana'a - Republic of Yemen  
P.O.Box: 18045  
Tel. + 967 1 465 024 / 5  
Fax. + 967 1 465 026  
www.gtyemen.com

August 03, 2010

Dear Sir,

In connection with the Yemen Extractive Industries Transparency Initiative reconciliation for the calendar years 2005, 2006 and 2007, **Canadian Nexen Petroleum Yemen** submitted data to you in respect of transactions concerning **Masila Block**. We confirm that:

1. We performed an audit of the following special purpose financial statements that included the said activities for the calendar years 2005, 2006 and 2007 in accordance with then applicable International Standard on Auditing:
  - The special purpose financial statements as of December 31, 2005 and our auditor's report dated March 22, 2006.
  - The special purpose financial statements as of December 31, 2006 and our auditor's report dated March 15, 2007.
  - The special purpose financial statements as of December 31, 2007 and our auditor's report dated March 12, 2008.
2. The data submitted, a copy of which is annexed to this letter for identification purposes, is consistent with the audited financial statements to the reporting entity for those periods.

This certificate is intended solely for presentation to the **Hart Nurse Ltd.** for the Yemen Extractive Industries Transparency Initiative reconciliation and should not be used for any other purpose.

Sincerely yours,

**Grant Thornton Yemen**



**Ramzi Al-Ariqi**



**Hart Nurse Ltd. Chartered Accountants**  
**The Old Coach House**  
**Southern Proad**  
**Theme**  
**Oxfordshire OX92ED**  
**UK**

**Audit, Tax, Advisory**  
**Grant Thornton Yemen**  
Algeria St.  
Sana'a - Republic of Yemen  
P.O. Box: 18045  
Tel. + 967 1 465 024 / 5  
Fax. + 967 1 465 026  
www.gtyemen.com

August 03, 2010

Dear Sir,

In connection with the Yemen Extractive Industries Transparency Initiative reconciliation for the calendar years 2005, 2006 and 2007, **Canadian Nexen Petroleum East Al Hajr Ltd.** submitted data to you in respect of transactions concerning **East Al Hajr Block 51**. We confirm that:

1. We performed audits of the following special purpose financial statements that included the said activities for the calendar years 2005, 2006 and 2007 in accordance with then applicable International Standard on Auditing:
  - The special purpose financial statements as of December 31, 2005 and our auditor's report dated April 29, 2006.
  - The special purpose financial statements as of December 31, 2006 and our auditor's report dated February 28, 2007.
  - The special purpose financial statements as of December 31, 2007 and our auditor's report dated March 24, 2008.
2. The data submitted, a copy of which is annexed to this letter for identification purposes, is consistent with the audited special purpose financial statements to the reporting entity for those periods.

This certificate is intended solely for presentation to the **Hart Nurse Ltd.** for the Yemen Extractive Industries Transparency Initiative reconciliation and should not be used for any other purpose.

**Sincerely yours,**

**Grant Thornton Yemen**



**Ramzi Al-Ariqi**





KPMG Mejanni, Hazem Hassan & Co.  
Public Accountants  
150 Zubairy St.  
PO Box 3501  
Sana'a, Republic of Yemen

Telephone +967 (1) 401 667 / 8 / 9  
Fax +967 (1) 206 130  
Internet www.kpmg.com.ye

Hart Nurse Ltd.  
Chartered Accountants  
The Old Coach House  
Southern Road  
Thame  
Oxfordshire PX92ED  
UK

August 7, 2010

Dear Sirs:

#### Report on Annexed Data for EITI Reconciliation

In connection with the Yemen Extractive Industries Transparency Initiative (EITI) reconciliation for the calendar years 2005, 2006, and 2007, Total E&P Yemen – Yemen Branch (As the Operator for Block 10, East Shabwa Concession) submitted data to you in respect of transactions concerning Block 10, East Shabwa Concession in the Republic of Yemen. We confirm that:

1. We performed an audit of the financial statements that included the said activities for the years ended December 31, 2005, 2006 and 2007 in accordance with then applicable International Standards on Auditing;
2. The data submitted, a copy of which is annexed to this report for identification purposes, is consistent with the audited financial statements of the reporting entity for those years.

This report was issued at the request of Total E&P – Yemen Branch solely for the use of Hart Nurse Ltd. and EITI based on the instructions of the Ministry of Oil and Minerals of the Republic of Yemen in relation to Yemen's membership in EITI, and is not to be used for any other purpose or disclosed to any third parties without our written consent.

Yours faithfully,

  
**M. Zohdi Mejanni**  
Senior Partner







KPMG Mejanni, Hazem Hassan & Co.  
Public Accountants  
150 Zubairy St.  
PO Box 3501  
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August 11, 2010

Dear Sirs:

### Report on Annexed Data for EITI Reconciliation

In connection with the Yemen Extractive Industries Transparency Initiative (EITI) reconciliation for the calendar years 2005, 2006, and 2007, Jannah Hunt Oil Company – Yemen Branch (As the Operator for Block 5, Jannah Concession) submitted data to you in respect of transactions concerning Block 5, Jannah Concession in the Republic of Yemen. We confirm that:

1. We performed an audit of the financial statements that included the said activities for the years ended December 31, 2005, 2006 and 2007 in accordance with then applicable International Standards on Auditing;
2. The data submitted, a copy of which is annexed to this report for identification purposes, is consistent with the audited financial statements of the reporting entity for those years.

This report was issued at the request of Jannah Hunt Oil Company – Yemen Branch solely for the use of Hart Nurse Ltd. and EITI based on the instructions of the Ministry of Oil and Minerals of the Republic of Yemen in relation to Yemen's membership in EITI, and is not to be used for any other purpose or disclosed to any third parties without our written consent.

Yours faithfully,

  
**M. Zohdi Mejanni**  
Senior Partner



# Dahman & Co.

Accountants • Auditors • Consultants

# RSM!

12 July 2010  
Ref: DCO/RSM/Y1989/10

**Private and Confidential**

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Dear Sirs,

In accordance with your request to Safer Exploration and Production Operations (SEPOC) to provide a certificate from us in compliance with the requirements of the Yemen Extractive Industries Transparency Initiative Reconciliation for the calendar years 2005, 2006 and 2007, for (SEPOC) submitted data to you in respect of transactions concerning the Ministry of Oil and Mineral for the oil produced from Block 18.

We confirm that we have performed an audit of financial statements of SEPOC but these do not include any quantities of oil and products that have been passed to the government for each of the period from 15 November 2005 to 31 December 2005, the year 2006, the year 2007, in accordance with the then applicable International Auditing Standards, as the Government wholly owns SEPOC and the crude oil produced in Block 18 is lifted directly by the Government. The Government reimburses SEPOC for all its operational and development expenses.

The schedule attached, which we have initialed for identification purposes, shows the quantities lifted by the Government, and is in agreement with records of SEPOC for the first period ended 31 December 2005, and for each of the two years ended on 31 December 2006 and 2007 respectively.

Yours faithfully,

Dr. Bassam Dahman, IMA  
Partner in Charge of Yemen Offices



c.c. GM, SEPOC, Sana'a

File: SEPOC- 2010.