

Portrait of a good investor in the Romanian offshore sector

16 October 2018, Bucharest

BSOG-MC-PRE1-008-D01



Black Sea Oil & Gas SRL (“BSOG”): Romanian based independent oil & gas company

BSOG head office and all staff
(technical, commercial and financial)
are located in Bucharest, Romania

BSOG’s flagship is the Midia Gas Development Project

BSOG also undertaking offshore exploration campaign

Two shareholders: Carlyle International Energy Partners (“CIEP”)

&

The European Bank for Reconstruction and Development (“EBRD”)

1 fund of 128 funds of Carlyle Group,
a private equity firm with \$158Bn assets
under management

EBRD became minority shareholder in November 2017

2 WELLS

Exploration in 2018

2021

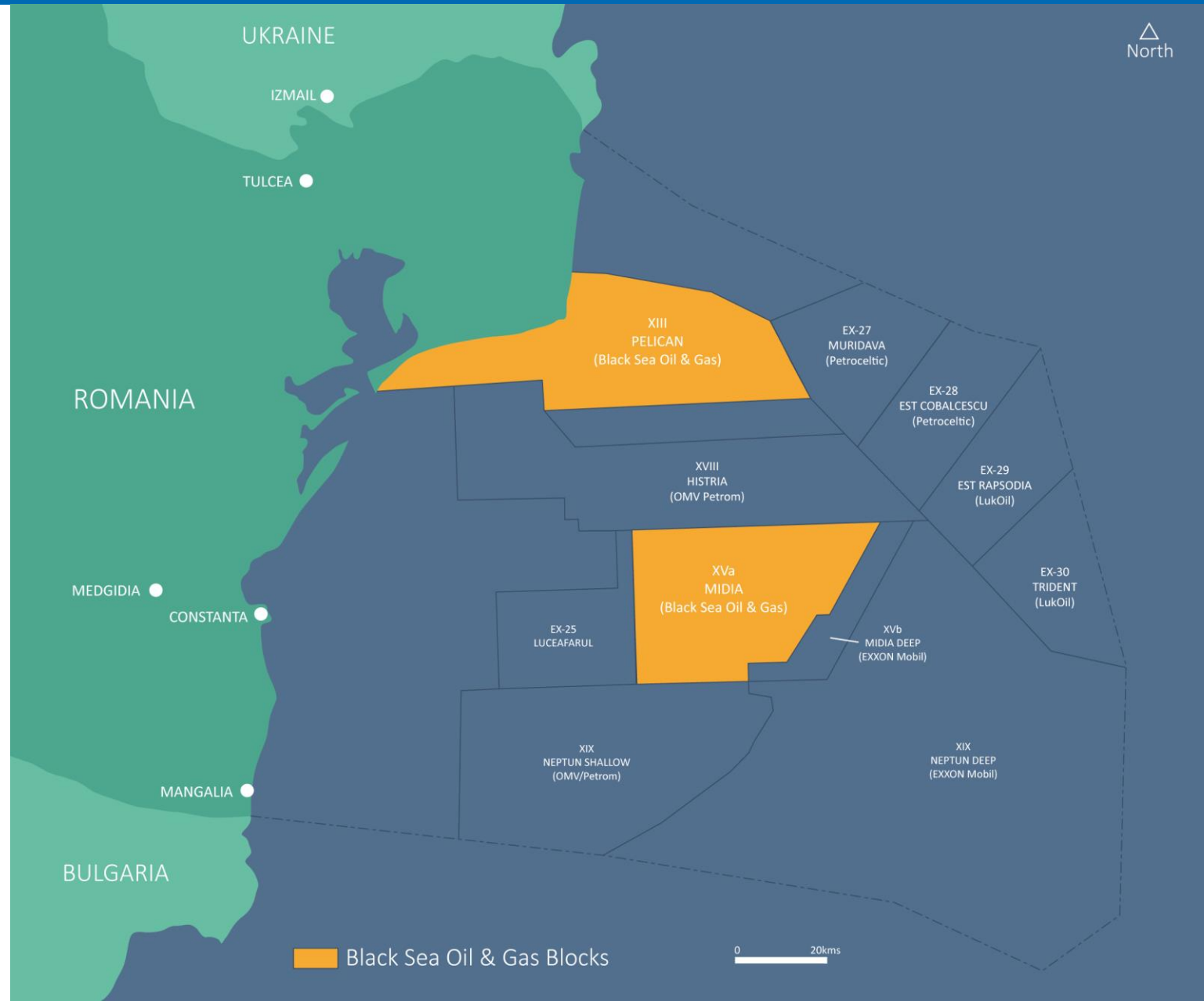
Project on stream

BUCHAREST

Staff located in Romania

\$158Bn

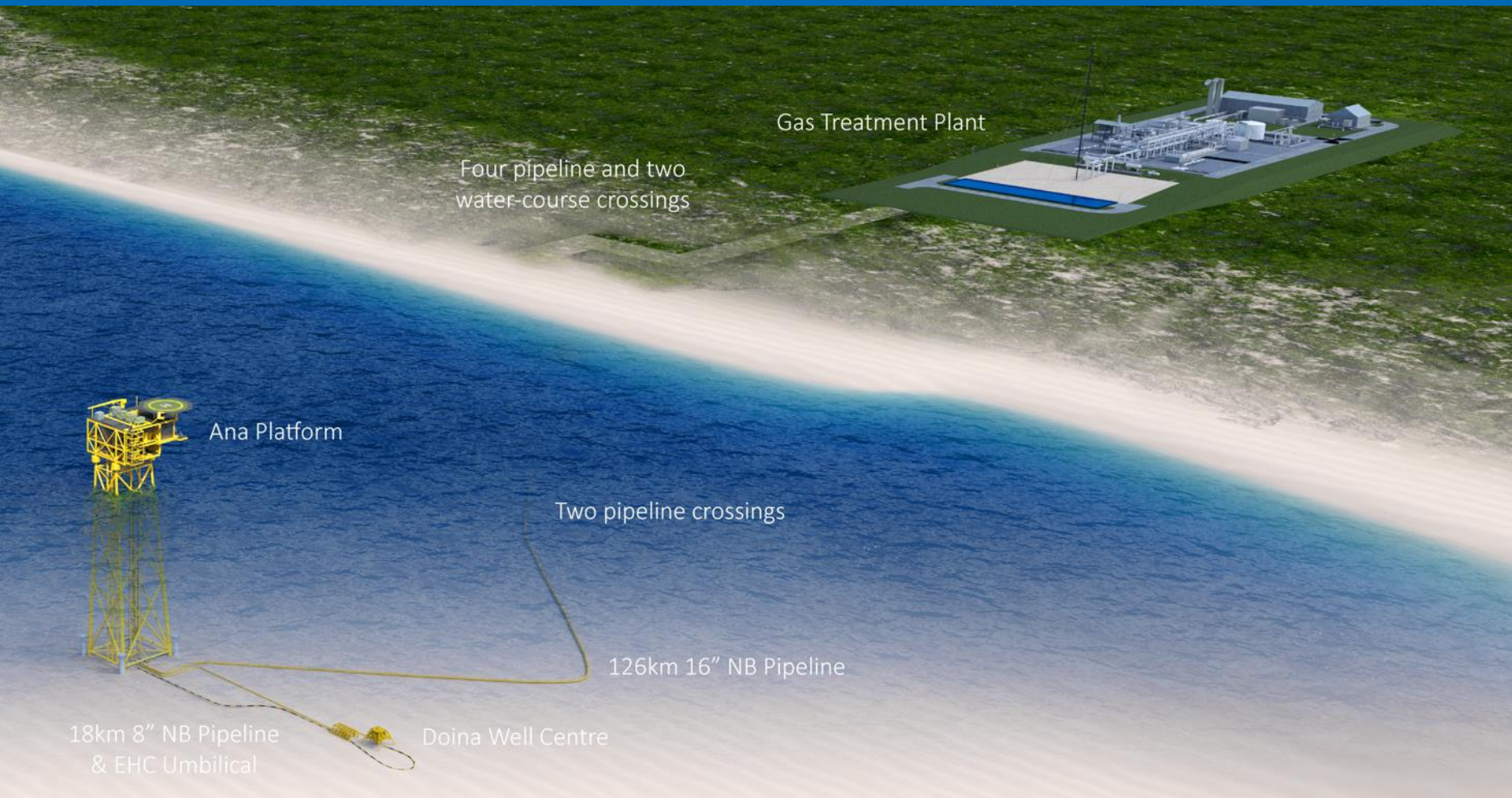
Main shareholder assets under
management



Midia and Pelican Blocks

Black Sea Oil & Gas SRL	65%
Petro Ventures Resources SRL	20%
Gas Plus International BV	15%

Midia Gas Development Project



- 10 Bcm Resources
- 1 Platform with 4 wells
- 1 Subsea well
- 126km transport pipeline
- Onshore gas plant

- Determine upfront if foreign investment is wanted
- Requires cross political support due to long term nature of investment
- Need strong alignment between political and administrative bodies
- Need strong political champion to ensure investment blockages are resolved
- Good political governance and a corruption free environment will attract high quality investors

Business principles	Good Investor	Bad Investor
HSE	Number 1 Priority	Nuisance
Social Impact	Enshrined in Corporate Policies	Not applicable
Local Content	To be enhanced	To be exploited
Bribery and Corruption	Zero tolerance approach	Part of business plan
Regulatory Compliance	Strict Adherence	To be avoided
Taxation	Compliant	Evasion
Technology Transfer and Training	Essential for success	Use cheapest lowest tech solutions
Overall Impact	Country better place in all respects because of involvement	Certain individuals benefit but country worse off

Applies equally to foreign vs local investor
Offshore development impacts all these issues

Risks and costs involved by an offshore project

Chance of exploration success in the Black Sea no greater than 25%*

Lack of fiscal stability and regulatory clarity

Commercial and infrastructure risks, poor connection to regional markets

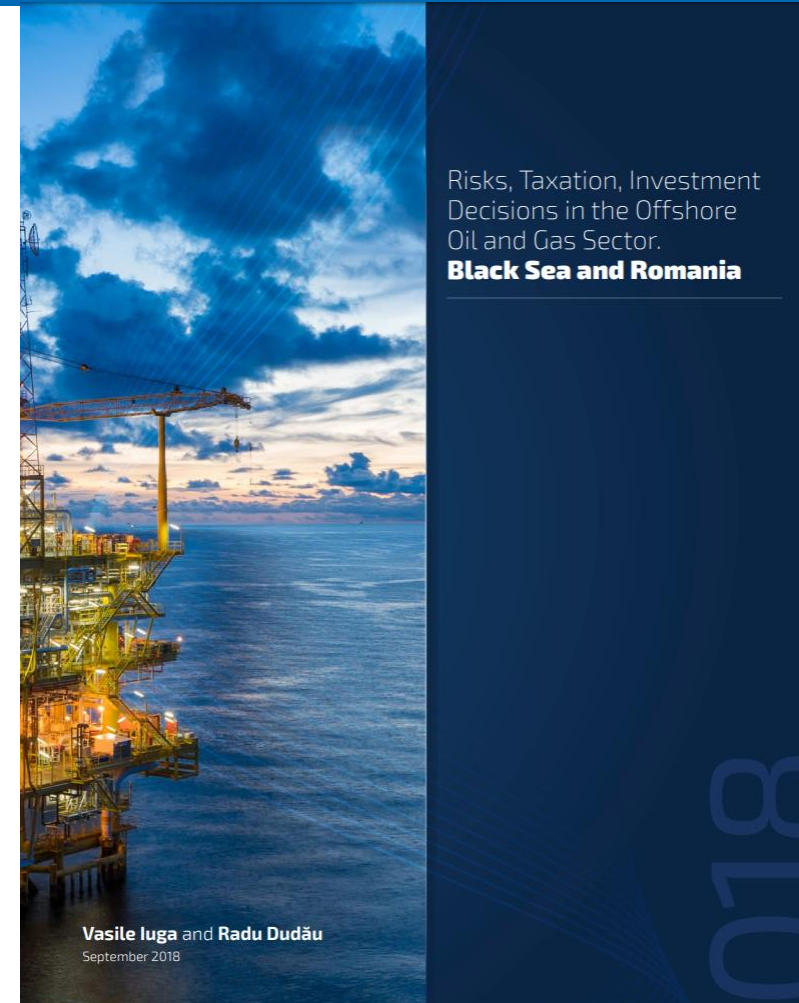
Geology tends to be challenging

- Requires best analytical technologies
- Cannot afford to be wrong

Example: BSOG 2018 exploration drilling campaign in numbers

- 2 wells located at 115 km and 147 km offshore Black Sea targeting Pontian (Iulia-1 well) and Dacian formation (Paula-1 well)
- The discovery at Paula-1 well did not prove commercially viable for testing
- Lost Time Incidents: 0
- Manpower: approx. 400 people, approx. 65% local workforce
- Number of contractors: 69 drilling, services and support services companies out of which 43 Romanian based or registered in Romania
- Duration: 62 days
- Costs: US\$25 million

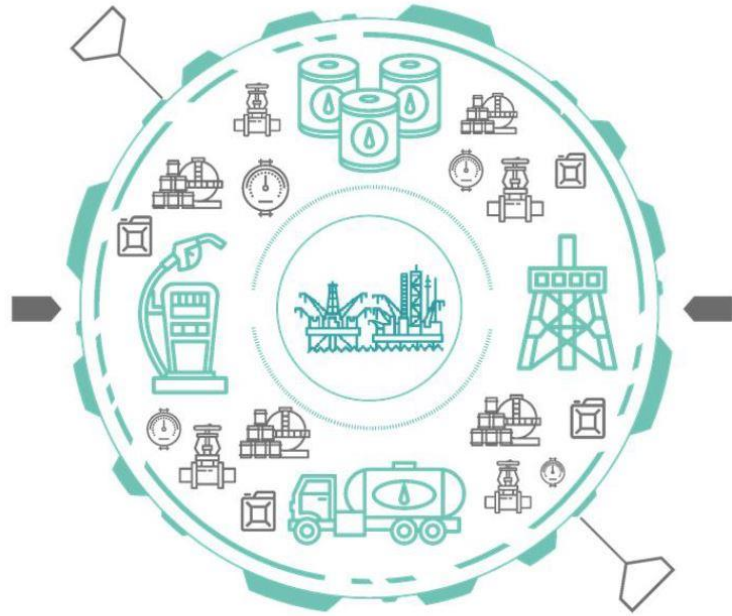
*[Vasile Iuga and Radu Dudau study: Risks, Taxation, Investment Decisions in the Offshore Oil & Gas Sector, September 2018](#)



Risks, Taxation, Investment
Decisions in the Offshore
Oil and Gas Sector.
Black Sea and Romania

Vasile Iuga and Radu Dudău
September 2018

Deloitte.



The contribution of Black Sea oil & gas projects to the development of the Romanian economy

May 2018

- Deloitte study for offshore* found the following contributions to the Romanian economy:

	Offshore Industry	New Consumption Industries
GDP Output	\$71.3 Billion	\$98.9 Billion
Jobs	30,605	41,945
State Revenues	\$26 Billion	\$18.3 Billion

- In addition Romania moves from being dependant on Russian gas to being self sufficient and a net exporter

*[Report published in May 2018 by Deloitte Romania](#)



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