

MARI PETROLEUM COMPANY LIMITED

21 Mauve Area, 3rd Road, Sector G-10/4, Islamabad.



NOTICE OF EXTRAORDINARY GENERAL MEETING

Notice is hereby given that an Extraordinary General Meeting of Mari Petroleum Company Limited (the "Company") will be held on Thursday, May 21, 2015 at 10:00 am at Company's registered office situated at 21 Mauve Area, 3rd Road, Sector G-10/4, Islamabad to transact the following business:

ORDINARY BUSINESS:

To declare dividend in specie for distribution of Un-distributable Balance of Rs.9,670,001,000 standing in this account as at June 30, 2014 in the ratio of Rs.87.70 for every ordinary share held which will be credited to the account of Government of Pakistan and minority shareholders in the form of non-voting, non-cumulative, unlisted redeemable Preference Shares of Rupees ten each, as recommended by the Board of Directors of the Company and subject to the creation of the Preference Shares and the increase in the authorized share capital of the Company and approvals required by the shareholders of the Company in that respect and any approvals/consents to be obtained from regulatory authorities and fulfillment of all formalities required under the law, including approval of the Securities and Exchange Commission of Pakistan under Rule 5 of the Companies' Share Capital (Variation in Rights and Privileges) Rules, 2000. Fractional shares arising as a result of distribution of specie dividend in the form of shares will be consolidated in the name of the Company Secretary for eventual transfer to a well-known charitable organization.

Un-distributable balance is being distributed now as the Gas Price Agreement of 1985 has now been dismantled.

"RESOLVED THAT dividend in specie for distribution of Un-distributable Balance of Rs.9,670,001,000 standing in this account as at June 30, 2014 in the ratio of Rs.87.70 for every ordinary share held which will be credited to the account of Government of Pakistan and minority shareholders, in the form of non-voting, non-cumulative, unlisted redeemable Preference Shares of Rupees ten each as recommended by the Board of Directors of the Company, who appear in the Register of Members at the close of business on 14 May 2015 be and is hereby approved."

SPECIAL BUSINESS:

1. Increase in the Authorized Share Capital, Creation/issuance of Preference Shares and amendments in the Memorandum and Articles of Association of the Company.

To consider and if thought fit, to increase the authorized share capital of the Company from Rs. 2,500,000,000 (Rupees two billion and five hundred million only) to Rs. 13,090,001,000 (Rupees thirteen billion ninety million and one thousand only) divided into 1,309,000,100 Shares of Rs. 10 each (Rupees ten only) by creation of 1,059,000,100 preference shares of Rs. 10 (Rupees ten only) each and to alter the Memorandum of Association and the Articles of Association of the Company by passing the following resolutions as special resolutions, with or without modification, addition or deletion:

"RESOLVED THAT the Authorized Share Capital of the Company be increased from Rs. 2,500,000,000 to Rs. 13,090,001,000."



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FURTHER RESOLVED THAT subject to approval of the members of the Company and the Registrar of Companies in accordance with the requirements of the Companies Ordinance, 1984, the Memorandum and Articles of Association of the Company be amended regarding proposed changes to be made in the Memorandum and Articles of Association of the Company for issuance of Non-voting, Non-cumulative, Redeemable Preference Shares of the Company. The changes have been duly approved by Karachi Stock Exchange [KSE] vide their letter No. KSE/GEN-2320 dated April 1, 2015 as per Regulation 26 of KSE.

FURTHER RESOLVED THAT Memorandum of Association and Articles of Association of the Company be and are hereby amended as follows, subject to any approvals/consents to be obtained from regulatory authorities and fulfilment of all formalities required under the law including approval of the Securities and Exchange Commission of Pakistan under Rule 5 of the Companies' Share Capital (Variation in Rights and Privileges) Rules, 2000:

a. Clause V of the Memorandum of Association be and is hereby substituted by the following Clause:

"V. The Authorized Share Capital of the Company is Rs. 13,090,001,000 (Rupees thirteen billion ninety million and one thousand only) divided into 250,000,000 ordinary shares of Rs. 10 each and 1,059,000,100 preference shares of Rs. 10 each having the rights, privileges and conditions attaching thereto as provided in the Articles of the Company for the time being and approved by the shareholders as and by way of a special resolution from time to time. The Company shall have the power (1) to vary, modify or abrogate any such rights, privileges or conditions in such manner as may be permitted by the Ordinance and/or the Articles and/or applicable rules and regulations; (2) to increase and/or reduce the capital and to divide shares in the capital into several classes; and (3) to consolidate or subdivide the shares and to issue shares of higher or lower denominations."

b. Article 5 of the Articles of Association be and is hereby substituted by the following Article:

"5. The Authorized Share Capital of the Company is Rs. 13,090,001,000 (Rupees thirteen billion ninety million and one thousand only) divided into 250,000,000 ordinary shares of Rs. 10 each and 1,059,000,100 preference shares of Rs. 10 each having the rights, privileges and condition attaching thereto as provided in the Articles of the Company for the time being. The Company shall have the power (1) to vary, modify or abrogate any such rights, privileges or conditions in such manner as may be permitted by the Ordinance and/or the Article and/or the applicable rules and regulations; (2) to increase and/or reduce the capital and to divide shares in the capital into several classes; and (3) to consolidate or subdivide the shares and to issue shares of higher or lower denominations."

c. The following new Article be and is hereby inserted as Article 6A of the Articles of Association:

"6A. The Directors of the Company may at any time, and from time to time, allot and

issue one or more classes of shares (including but not limited to preference shares) conferring on the holders thereof rights, privileges, benefits and conditions varying from the rights, benefits, privileges and conditions applicable to the ordinary shares of the Company, as may be approved from time to time by the shareholders of the Company by way of a Special Resolution, and subject to such approval of Securities & Exchange Commission of Pakistan as may be required under the applicable laws, including but not limited to preferential or varying features such as (a) voting rights; (b) dividend rights; (c) right to accumulation of dividend; (d) right to convert into ordinary shares; (e) right of preference in winding up; (f) right of redemption at the option of the Company; (g) right of redemption at the option of the preference shareholders; and (h) right to participate in rights issue of the Company.”

d. Article 6 of the Articles of Association be and is hereby amended as follows:

The words “The share capital of the Company shall comprise only of ordinary shares, and subject as aforesaid” appearing in the first sentence of the Article shall stand deleted.”

2. Special Issuance of Redeemable Preference Shares in favour of Government of Pakistan.

To consider and if thought fit, to approve the issuance of 92,000,000 Preference Shares at par, other than by way of rights issue and on the terms and conditions approved by the shareholders and for such purpose to pass with or without modification, the following Resolution as a Special Resolution:

“RESOLVED THAT the Company be and is hereby authorized to issue 92,000,000 non-voting, non-cumulative, unlisted redeemable Preference Shares at par value of Rs. 10 each in lieu of the balance in reserve for Mari Seismic Unit as per note 7 of annual audited Financial Statements of the Company for the year ended June 30, 2014 otherwise than by way of right shares exclusively to the Government of Pakistan in accordance with the provisions of Section 86(1) of the Companies Ordinance, 1984 subject to the approval of any regulatory authorities, such preference shares to rank pari passu inter se the Preference Shares of the Company.”

3. Rights, privileges, benefits and conditions attached to the Preference Shares issued as specie dividend and as “Other than Rights Issue” exclusively to Government of Pakistan.

To consider and if thought fit, to approve the rights, privileges, benefits and conditions attached to the Preference Shares of the Company and for such purpose to pass, with or without modification, the following Resolution as Special Resolution:

“RESOLVED THAT subject to the approval of modifications to the Memorandum and Articles of Association of the Company as per Ordinary Resolution and Special Resolution (1) above, the Preference Shares of the Company shall carry the following rights and privileges and be subject to the terms and conditions stated hereunder (including any



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modifications as may be required by the Securities and Exchange Commission of Pakistan):-

- a. The Preference Shares shall be Non-voting, Non-cumulative, Unlisted Redeemable Preference Shares;
- b. The Preference Shares shall carry entitlement of a fixed annual dividend of 1 year KIBOR plus 3% to be paid out of the normal profits of the Company in each financial year. Any dividend not paid in any financial year shall not cumulate toward entitlement of dividend in future years;
- c. The Preference Shares shall not carry any entitlement of ordinary dividend, rights shares or bonus shares, or have any right to participate in the profits of the Company, save as specified in newly inserted Article 6A;
- d. The Preference Shareholders shall not be entitled to receive notice, attend General Meetings or vote at such meetings of the Company, except as otherwise provided in the Companies Ordinance, 1984 whereby holders of such shares would be entitled to vote separately as a class, i.e. with respect to voting entitlement of Preference Shareholders on matters/issues affecting substantive rights or liabilities of Preference Shareholders;
- e. In the event of winding up of the Company or repayment of the Capital, the Preference Shares will carry a preferential right over Ordinary Shares;
- f. The Preference Shares shall, subject to Section 85 of the Companies Ordinance, 1984 be redeemable at par value solely at the option of the Company, on an annual basis between the 1st anniversary of the issue and the 10th anniversary, after a review of the financial performance of the Company in the preceding year, only through a sinking fund created out of the profits of the Company. Provided that, in case of partial redemption of outstanding Preference Shares, only whole shares shall be redeemed and such redemption shall be on pro rata basis for all Preference Shareholders;
- g. The Preference Shares shall be issued at par value against payment of face value of Rs. 10/-per Preference Share, which may be paid in cash and/or by adjustment of liabilities and/or through consideration other than cash;
- h. The Preference Shares shall rank pari passu inter se each other.”

4. Amendments to Articles of Association to bring in line with the Companies Ordinance, 1984 and the Code of Corporate Governance, 2012.

To consider and if thought fit, alter the Articles of Association of the Company to bring the same in line with the Companies Ordinance, 1984 and the Code of Corporate Governance, 2012 by passing the following resolutions as special resolutions, with or without modification, addition or deletion:

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“RESOLVED THAT the Articles of Association of the Company be and are hereby amended as follows, subject to any approvals/consents to be obtained from regulatory authorities and fulfilment of all formalities required under law:

a. Article 35 of the Articles of Association be and is hereby amended as follows:

The word “six” appearing in the first sentence of the Article be replaced with the word “four”.

b. Article 89 of the Articles of Association be and is hereby amended as follows:

The words “twice in every calendar year” appearing in the first sentence of the Article be replaced with the words “once every quarter” and the word “six” appearing in the fifth sentence of the Article be replaced with the word “seven”.

c. The words “Corporate Law Authority” wherever appearing in the Articles of Association of the Company shall be replaced with the words “Securities and Exchange Commission of Pakistan.”

5. Approval of the revised Gas Price Agreement (GPA) in light of the ECC decision.

“RESOLVED THAT the Board of Directors be and is hereby authorized to negotiate and approve the revised GPA in line with the ECC decision.”

6. Grant Powers to Authorised Officer or such one or more persons as may from time to time be specifically designated by the Authorised Officer to carry out above changes/steps.

“RESOLVED THAT Lt. General Nadeem Ahmed (Retd), Managing Director/Chief Executive Officer and Mr. Assad Rabbani, Company Secretary (each an “Authorized Officer”) or such one or more persons as may from time to time be specifically designated by the Authorised Officer for this purpose, be and is hereby authorized to give effect to each of the above ordinary and special resolutions and take all necessary steps as required under law to initial the amended Memorandum and Articles of Association of Mari Petroleum Company Limited and take such steps and actions deemed necessary to give effect to the aforesaid resolutions including filing of petitions under sections 21 and 28 of the Companies Ordinance, 1984 with the Securities and Exchange Commission of Pakistan.”

7. To transact any other business with the permission of the Chair.

By Order of the Board

ISLAMABAD
27 April 2015

ASSAD RABBANI
Company Secretary



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NOTES:

1. The Share Transfer Books of the Company will remain closed from 15 May 2015 to 21 May 2015 (both days Inclusive). Transfers received in order at the Company's Shares Registrar, M/s Corplink (Pvt) Limited, Wings Arcade, 1-K Commercial, Model Town, Lahore at the close of business on 14 May 2015 will be treated as in time for the purpose of determining entitlement for distribution of dividend in specie in the form of non-voting, non-cumulative, unlisted redeemable Preference shares and to attend the Extraordinary General Meeting.
2. A member entitled to attend and vote at the above meeting may appoint a person/ representative as Proxy to attend and vote on his behalf at the meeting. The instrument of Proxy duly executed in accordance with the Articles of Association of the Company must be received at the Registered Office of the Company, not less than 48 hours before the time of holding of the meeting.
3. Those members, who have deposited their shares into Central Depository Company of Pakistan (CDC), are requested to bring their Original Computerized National Identity Cards along with their account numbers in CDC for verification at the time of meeting.
4. CDC account holders will further have to follow the guidelines as laid down in Circular No.1 dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan.
5. Members are requested to notify any changes in their mailing address to the Company's Shares Registrar.

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**STATEMENT U/S 160(1)(b) OF THE COMPANIES ORDINANCE, 1984
WITH RESPECT TO SPECIAL BUSINESS AS CONTAINED IN THE NOTICE
OF EXTRAORDINARY GENERAL MEETING OF
MARI PETROLEUM COMPANY LIMITED TO BE HELD ON MAY 21, 2015**

A statement setting out all material facts with respect to the special business is furnished as under:

I. INCREASE IN THE AUTHORISED SHARE CAPITAL AND AMENDMENT IN MEMORANDUM AND ARTICLES OF ASSOCIATION

The authorized share capital is being increased from Rs. 2,500,000,000 to Rs. 13,090,001,000 by the creation of 1,059,000,100 Preference Shares of Rs.10 each to cater for the proposed issue of Preference Shares as specie dividend and the special issuance of the Preference Shares to the Government of Pakistan and corresponding amendments are being made in the Memorandum and Articles of Association.

II&III. CREATION AND ISSUANCE OF PREFERENCE SHARES

The Board of Directors propose to create and issue 1,059,000,100 Preference Shares of which 967,000,100 Preference Shares will be declared as dividend in specie to the GoP and minority shareholders as per ECC decision and 92,000,000 Preference Shares will be issued exclusively to the Government of Pakistan under Section 86(1) of the Companies Ordinance, 1984 for the reasons described herein below:

1. Background of the creation and issuance of the preference shares: Pursuant to approval of the Economic Coordination Committee of the Cabinet regarding dismantling of Mari GPA received vide letter dated 7 February 2015.

- i. The wellhead gas price given to the Company is on cost plus basis as defined in the Mari Gas Well Head Price Agreement (MGPA) dated December 22, 1985 signed between GoP and the Company. The validity of said MGPA is linked with duration of Mari Development & Production Lease and any extension thereof.
- ii. Since its inception, MPCL has been involved in production of gas from Mari Gas Field located at Daharki, District Ghotki. The Company has also made two additional discoveries in the same Mari Field area namely Mari Deep and SML / Pirkoh. In 2001, the Company was allowed to undertake exploration, appraisal and development activities outside Mari Field up to US\$ 20 million per annum or 30% of annual gross sales revenue, whichever is less. Starting from January 2012, the ceiling of US\$ 20 million was enhanced by US\$ 5 million every year to gradually achieve the revised limit of US\$ 40 million per annum over a period of four years i.e. by January 2015.
- iii. The Current production from Habib Rahi (shallow) reservoir of Mari Field is around 515 MMCFD which is dedicated to fertilizer sector while 109 MMCFD gas from Mari Deep (Goru-B) is being supplied to Power sector. The field is also in decline unless additional work is continued to arrest the depletion.



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- iv. At present applicable wellhead price (average) for 2014-15 of MPCL is Rs. 90.33/MMBTU (equivalent to US\$ 0.90/MMBTU) as compared to US\$ 2.6/MMBTU and US\$ 6.0/MMBTU offered under 2001 and 2012 Petroleum Policies respectively. It may be mentioned that the said GPA was the only cost plus arrangement prevailing in the Country in upstream petroleum industry while wellhead gas price of all other fields is determined on oil price linked formulae.
- v. For the last few years, the Company has been pursuing for replacement of its cost plus MGPA with a market oriented crude oil linked wellhead gas pricing formula in line with industry practice. It may be mentioned that in 2002, the government has already replaced a similar cost plus GPA of Pakistan Petroleum Limited (PPL) for Sui & Kandhkot fields by allowing a formula for determination of wellhead price linked with crude oil price with discounts. Present wellhead gas price of PPL for Sui & Kandhkot is Rs 228.06/ MMBTU.
- vi. An amount of Rs 9.67 billion is appearing as un-distributable reserves in balance sheet of the Company which has been provided for meeting its rupee element of capital expenditures, repayment of borrowings and maintenance of current and debt service ratios in terms of MGPA through gas pricing mechanism over the period. The Company was asked to surrender this amount by converting the same as non-voting, non-cumulative, redeemable preference shares in favour of GoP and minority shareholders as quid pro quo in line with earlier precedence of PPL. Majority shareholders will surrender their share in favour of GoP as per ECC decision. In addition, Rs 0.92 billion appearing as GoP's investment for Seismic Unit will also form part of the said preference share capital. Profit rate on preference share capital will be linked with 1 year KIBOR rate prevailing on last working day of each financial year plus 3%. The Company's proposal to redeem the preference share capital in 10 years' time in the form of cash payment to preference shareholders is also approved.
- vii. Ministry of Petroleum and Natural Resources has negotiated a crude oil price linked formula with the Company in line with the PPL model which provides a wellhead gas price of US\$ 2.17 / MMBTU (at reference crude price of US\$ 110 / BBL) to be gradually achieved in 5 years starting from 01.07.2014. It is pointed out that at the currently prevailing crude oil price of US\$ 55 / BBL, the resultant wellhead price would be US\$ 1.51/ MMBTU in the 5th year.
- viii. The above formula gives an arithmetic average of US\$ 1.84/MMBTU at RCP of US\$ 110/BBL (US\$ 1.28/MMBTU at RCP of US\$ 55/BBL) over the period of ten years.
- ix. The Government will no more provide exploration funds of USD 40 million per annum being allowed presently. The Company will be undertaking its exploration, appraisal and development activities within and outside Mari Field from its own generated resources including revenues from other fields and will bear all the risks associated therewith without any direct or indirect subsidy from the Government. For next ten years, the Company undertakes that dividend distribution would continue to be in line with the present formula and profits will be reinvested for

exploration and development activities in Mari as well as outside Mari field.

- x. In this regard, the Company was advised to submit a revised Gas Price Agreement (GPA) and OGRA is to notify the provisional wellhead gas price till formal execution of the revised Mari GPA.
- xi. The relevant extracts from notes 7 & 8 as appearing in the Financial Statements of the Company for the year ended June 30, 2014 are as follows:

Note 7 - RESERVE FOR MARI SEISMIC UNIT

“Government’s investment in Mari Seismic Unit is Rs 920,000,000.”
This amount is exclusively due to Government of Pakistan and 92,000,000 non-voting, non-cumulative, redeemable preference shares will be issued to Government of Pakistan as Other than Right Shares.

Note 8.1 UN-DISTRIBUTABLE BALANCE

“Rs. 9,670 million which is not distributable, as it has been provided through the operation of Article II of the GPA to meet the obligations and to the extent indicated for the following:

| | Generated up to June 30, 2014 (Rupees in thousand) |
|---|--|
| a) Rupee element of capital expenditure (net of depreciation/ amortization) and repayment of borrowings | 9,405,230 |
| b) Maintenance of debt service ratio | 90,234 |
| c) Maintenance of current ratio | 174,537 |
| TOTAL | 9,670,001” |

Since the Gas Price Agreement is being dismantled, therefore the balance of Rs. 9,670 million is being converted to Revenue Reserve for issuance of Preference Shares.

Entire balance of Rs. 9,670 million of Revenue Reserve will be utilized to subscribe to 967,000,100 non-voting, non-cumulative, redeemable preference shares to be distributed as specie dividend to Government of Pakistan and the minority shareholders who appear on the Register of members as on 14 May 2015, whereas the entire balance of Rs. 920 Million will be utilized to subscribe to 92,000,000 non-voting, non-cumulative, redeemable preference shares to be issued exclusively to the Government of Pakistan.

2. The benefits of issuance of Preference Shares are as follows:

- i. The terms and conditions of the Preference Shares shall be structured so that they



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will be considered equity of the Company under State Bank of Pakistan's Prudential Regulations.

- ii. The confidence of creditors would be enhanced in the Company;
- iii. The preference shares may, at the option of the Company, be redeemed by the Company in 10 years' time in the form of cash to the preference shareholders i.e. GoP and minority shareholders.
- iv. The Company's goodwill and business would improve.

3. The shareholders are further informed that the issuance of Preference Shares is subject to the approval of Shareholders and the Securities & Exchange Commission of Pakistan under Rule 5 of the Companies Share Capital (Variation in Rights and Privileges) Rules, 2000.

IV. AMENDMENTS TO ARTICLES OF ASSOCIATION

The Board of Directors has recommended certain amendments to the Articles of Association to bring the same in line with the requirements of the Companies Ordinance, 1984 and the Code of Corporate Governance, 2012.

V. INSPECTION OF DOCUMENTS

A Copy of Memorandum and Articles of Association of the Company being altered is available for inspection at the Company's Registered Office at 21 Mauve Area, 3rd Road, G-10/4, Islamabad during the office hours.

VI. INTEREST OF DIRECTORS

The Directors of the Company do not have any interest in the aforementioned resolutions that would require a disclosure.

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Proxy Form

The Company Secretary
Mari Petroleum Company Limited
21-Mauve Area, 3rd Road, Sector G-10/4,
Islamabad

I/We, _____
of _____ being a member(s) of Mari Petroleum Company Ltd and holder of
_____ Ordinary Shares, as per Shares Register Folio No. _____ or CDC Participant I.D. No.
_____ and Sub Account No. _____, hereby appoint
_____ of _____ or
failing whom, Mr. _____ of _____
as my/our proxy to vote and act for me/our behalf, at the Extraordinary General Meeting of the Company, to be held on May
21, 2015 and at any adjournment thereof.

Affix
Revenue
Stamp

Dated this _____ day of _____ 2015

Signature of the Shareholder
(Signature should agree with the
Specimen available with the Company)

Signature of Proxy

Name in Block Letters

Folio/CDC Ref _____

Note:

1. A member entitled to attend and vote at the above meeting may appoint a person/representative as Proxy to attend and vote on his behalf at the Meeting. The instrument of Proxy duly executed in accordance with the Articles of Association of the Company must be received at the Registered Office of the Company at 21-Mauve Area, 3rd Road, Sector G-10/4, Islamabad not less than 48 hours before the time of holding of the meeting.
2. CDC Shareholders and their Proxies are requested to attach attested copies of their Computerized National Identity Card (CNIC) or Passport with this Proxy and produce the same also for verification at the time of meeting. In case of a Corporate Entity, the Board of Directors' resolution/power of attorney shall be submitted alongwith the Proxy Form.

Witnesses:

1. Signature _____

2. Signature _____

Name _____

Name _____

CNIC/Passport No. _____

CNIC/Passport No. _____

Address _____

Address _____



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NOTICE OF EXTRAORDINARY GENERAL MEETING

May 21, 2015

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**AFFIX
CORRECT
POSTAGE**

The Company Secretary
MARI PETROLEUM COMPANY LIMITED
21-Mauve Area, 3rd Road, Sector G-10/4
ISLAMABAD.