



Petro-Canada and NOC Sign New EPSA Contracts in Libya

Fact Sheet

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LEGAL NOTICE – FORWARD-LOOKING INFORMATION / RESERVES ESTIMATES

This fact sheet contains forward-looking information. You can usually identify this information by such words as "plan," "anticipate," "forecast," "believe," "target," "intend," "expect," "estimate," "budget" or other similar wording suggesting future outcomes or statements about an outlook. Below are examples of references to forward-looking information:

- future capital, exploration and other costs and expenditures
- project development and expansion schedules and results
- business strategies and goals (including whether a project will be sanctioned)
- pre-production and operating costs
- rights and obligations associated with agreements that are not yet in force
- construction and repair activities
- future regulatory approvals
- future oil and gas production levels and the sources of their growth
- future exploration activities and costs and results of such activities and dates by which certain areas may be developed or may come on-stream

Such forward-looking information is subject to known and unknown risks and uncertainties. Other factors may cause actual results, levels of activity and achievements to differ materially from those expressed or implied by such information. Such factors include, but are not limited to:

- industry capacity
- the effects of weather and climate conditions
- imprecise reserves estimates of recoverable quantities of oil from resource plays, and other sources not currently classified as reserves
- the results of exploration and development drilling, and related activities
- the ability of suppliers to meet commitments
- competitive actions by other companies
- fluctuations in oil and natural gas prices and supplies
- refining and marketing margins
- decisions or approvals from administrative tribunals or political bodies
- risks attendant with international or domestic oil and gas operations
- expected rates of return
- general economic, market and business conditions
- fluctuations in interest rates and foreign currency exchange rates
- actions, decisions and determinations by governmental authorities (including changes in taxes, royalty rates and resource-use strategies)
- changes in environmental and other regulations
- international and local political events
- nature and scope of actions by stakeholders and/or the general public

Many of these and other similar factors are beyond the control of Petro-Canada. Petro-Canada discusses these factors in greater detail in filings with the Canadian provincial securities commissions and the United States Securities and Exchange Commission.

We caution readers that this list of important factors affecting forward-looking information is not exhaustive. Furthermore, the forward-looking information in this fact sheet is made as of the date of this fact sheet and, except as required by applicable laws Petro-Canada does not update it publicly or revise it. This cautionary statement expressly qualifies the forward-looking information in this fact sheet.

In June 2008, Petro-Canada signed six new exploration production and sharing IV agreements (EPSAs) with the Libyan National Oil Corporation (NOC), replacing its existing Participation Agreements and one old EPSA that were due to expire in 2015 and 2017, respectively. The key elements of these new agreements are listed below.

1. EPSA Terms

The parties to the EPSAs are the NOC and Petro-Canada. They are effective from 1st January 2008 with an expected duration of 30 years.

Under the terms of the EPSAs, Petro-Canada receives an initial share of 12% of gross production and contributes, in addition to the bonuses, 100% of the exploration costs, 50% of the capital costs and 12% of the operating costs. Once costs are fully recovered, the overall share of production received by Petro-Canada will reduce according to factors fixed within the contracts.

Any royalties and corporate income tax that become due as a result of operations under the EPSAs are paid, on Petro-Canada's behalf, by the NOC out of its share of petroleum.

2. Estimated Project Expenditures

	PCA W.I.	US \$MM (net)
Exploration Expenditure		
• Exploration and appraisal commitment	100%	\$460
Signature Bonus		
• In three stages, with \$500 MM paid in July 2008 ⁽¹⁾	100%	\$900
• Social investment and capability development (phased equally over the first five years)	100%	\$100
Development Expenditure		
• Re-development of existing fields will substantially increase from the previous spending of \$125 million per year. Program estimate largely spent over the period 2010-2020	50%	\$3,500

(1) Two instalments are expected to be paid over the next five years.

3. Estimated Reserves "Bookings"

Initial reserve booking will take place in 2008 to reflect the new contractual structure and the extended period of contract. Beyond this point, on a 2P basis, the majority of reserves will be booked as individual field development plans mature. On a 1P basis, the reserves booking will be spread over a longer period of time, in line with field performance.

4. Estimated Production

The production profile achieved will depend upon the development plans and timing agreed between Petro-Canada and the NOC. We expect only modest incremental production and capital spending in the first couple of years; however, once project development plans have been approved (the first expected around 2010), we expect production to rise steadily to a level

double the current rate of 100,000 barrels/day (b/d) (gross). Once this level is achieved, we expect that production will remain on plateau for approximately 10 years.

5. Estimated Netbacks

Flat Prices

	\$US per barrel (bbl)			
Benchmark Price: Brent Crude (US\$/bbl)	80	100	120	140
Average price received ⁽¹⁾	79.0	99.0	119.0	139.0
Royalties ⁽²⁾	44.6	58.6	72.1	86.2
Operating and overhead expenses	3.6	3.6	3.6	3.6
Netback after overhead expenses	30.8	36.8	43.3	49.2
DD&A (Capital costs and bonuses)	3.9	3.9	3.9	3.9
Income taxes ⁽²⁾	17.5	21.4	25.6	29.4
Net income ⁽³⁾	9.4	11.5	13.8	15.9

(1) Average for oil and natural gas.

(2) Production is held under a production sharing arrangement. The government share is split between royalty and tax for Canadian tax purposes.

- Netbacks are for the first five years of production above 200,000 barrels of oil equivalent/day (boe/d) and based on simple averages.
- Benchmark prices are assumed to remain flat over the life of the contract.
- The realized price includes discounts for the different crudes.
- Costs include an escalation factor of 2.5% per annum.
- Working interest is assumed to equal the paying interest in development.

(3) Netbacks exclude exploration cost write-offs and subsequent costs and income from any successful exploration.

Disclaimer: Netbacks are subject to changes as the technical development plan advances

6. Examples for Calculating Cashflow and Production

Cash flow from operations is calculated by adding back depreciation, depletion and amortization (DD&A) charges to the net income and multiplying these by the working interest production figures. It should be noted that working interest production figures are before royalties.

As an example, the cash flow for the period of the first five years of production above 200 Mboe/d (gross) at an oil price of \$100 US/bbl can be calculated as follows:

(Net income \$11.50 US/bbl plus DD&A charges \$3.90 US/bbl) x 200,000 boe/d x 0.5 (working interest 50 %) x 365 days per year = \$560 million US annual cash flow.

Production is reported on a pre- and post-royalty basis. Production reported as working interest before royalties represents 50% of the gross production from the EPSAs. Post-royalty production is calculated by using the net entitlement production and adding to these figures the tax charges converted in barrels (so called tax barrels – please see the illustration below).

Figures in BOPD	
Production gross	200,000
Production WI 50% before royalties	100,000
Net production entitlement	24,000
Tax barrels*	30,000
Production after royalties	54,000

* Tax charges are calculated in accordance with Libyan tax rules. Effectively, Petro-Canada's entitlement production is reduced by operating expenditures, depreciation and amortization. The resulting amount is then grossed up to calculate the Libyan corporate income tax (levied at the rate of 65%).

7. Petro-Canada Acreage in Libya

With the exception of Area 137, the six new EPSAs comprise all the previous Petro-Canada concessions and EPSA areas, namely C9, C10, C11, C12, C13, C57, C72, NC177 and NC84a.

