



Frequently Asked Questions

DEVELOPMENT & TECHNICAL

Q: What is the estimated recoverable petroleum for the first platform and for the whole of Cambodia Block A?

A: See section *Resources & Development Plan* in the Information Pack.

Q: What is the full development plan?

A: The Apsara area in the Khmer Basin will be the first geological trend out of a potential seven to be developed in Cambodia Block A. Given the Khmer Basin is a new petroleum basin to be developed in the Gulf of Thailand, it is prudent to develop the oil accumulations in phases in order to gauge reserve performance, among other risks.

The initial development, Phase 1A, consists of a single unmanned minimum facility 24-slot wellhead platform producing to a moored production barge capable of processing up to 30,000 barrels of fluid per day with gas, oil and water separation facilities on the barge. The oil will be sent via a 1.5 km pipeline for storage to a permanently moored floating, storage and offloading (“FSO”) vessel where sales offloading will take place.

Productivity and performance from Phase 1A will be monitored for an appropriate time period – up to six months – before the decision is taken to launch Phase 1B. Learning from early production will be leveraged for improvements in the later phases of development. Design changes would be made to improve the efficiency of future platforms based on production behaviour observed in previous development phases. Phase 1B envisages three additional platforms producing to the Phase 1A facilities. A further potential stage, Phase 1C, will add six platforms will complete the full Apsara 10-platform development. The original FSO vessel will service all three development phases.

There are a further six geological trends within Cambodia Block A where there is potential that oil and/or gas may be trapped. These geological trends will provide future potential development opportunities for investigation and assessment.

For further details of the development plan see section *Resources & Development Plan* in the Information Pack.

Q: What will be production from the first platform and how will that increase with each subsequent platform?

A: We do not provide production forecasts for the full development as there are uncertainties such as reservoir performance, among others. As a preliminary estimate, we expect the first platform “A” to commence at a gross production rate of approximately 8,000 barrels of oil per day.

Q: When will KrisEnergy declare final investment decision (“FID”)?

A: From the date of signing of the formalised documentation, KrisEnergy has a 60-day window to declare final investment decision. FID is a final internal sanction for the Company to commit to the capital investment for an oil and/or gas project.

Q: Is the 24-month development timeframe realistic?

A: KrisEnergy is the operator of Cambodia Block A and therefore controls the scope of the technical project and the timing of development activities as well as managing the capital investment. The Company has experience in operating greenfield oil developments within the Gulf of Thailand, where it has successfully brought on stream oil fields on time and to budget. However, there are risks that are out of the Company's control. For example, Cambodia Block A is the first oil development project for Cambodia, therefore infrastructure for such an undertaking will be limited in the early stages, which may impact the supply of equipment and materials, logistics and the approval of certain permits required to go forward. As the operator, KrisEnergy will be mindful to mitigate risks and potential delays at every stage in the development process.

Q: Is KrisEnergy building a refinery in Cambodia?

A: No. KrisEnergy is an upstream company engaged in the exploration, appraisal, development and production of oil and gas. It is not active in the mid-stream or downstream sectors.

Q: Will KrisEnergy sell Apsara crude oil to Cambodian Petrochemical Company (CPC), which is building a refinery in Cambodia?

A: Both KrisEnergy and the Government of Cambodia will derive revenues from the Block A project based on the sales price of Apsara crude oil. In marketing Apsara oil, KrisEnergy and the Government will have the objective of achieving the best possible sales price for the product. That sales price will be dependent on many factors including, amongst others, price levels in the global benchmark markets, the quality of Apsara crude oil, and regional demand for crude oil and prevailing market conditions. The sale of Apsara crude domestically in Cambodia will be beneficial to KrisEnergy as it will not be subject to export tax. But domestic sales will depend on the timing of any refinery going into production; whether the facility is able to refine Apsara crude oil (this is related to the chemical properties of the crude oil and the resultant petroleum products required for distribution); and the market price the refining company is offering. Apsara crude oil sales will be undertaken on a competitive basis.

Q: What infrastructure will KrisEnergy require to build onshore in Cambodia? Where is that likely to be?

A: Where possible KrisEnergy intends to utilise existing infrastructure onshore. The Company's corporate and administrative functions in Cambodia are serviced by an office in Phnom Penh staffed by local professionals. In Sihanoukville, where we will establish an onshore supply and support base, KrisEnergy is investigating port and air services.

Q: Will there be any environmental impact assessments ("EIA") done for the offshore platforms or any onshore infrastructure?

A: An approved EIA was issued in 2013 under the previous operator. KrisEnergy plans to review the existing approved EIA to ascertain whether any revisions are required relevant to the technical terms signed in 2017 under the newly revised production permit and petroleum agreement.

Q: What is KrisEnergy doing about the proposed new environmental law that is to be issued?

A: KrisEnergy was invited to, and participated in the working consultation groups for the amendments to the environmental regulations. The new laws have yet to be released and therefore we are unable to comment on new legislation.

FISCAL & COMMERCIAL

Q: Why were the Government and contractors (Chevron, MOECO, GS Energy and KrisEnergy) not able to reach resolution on these issues in 2012? What has happened to partners since?

A: The initial 2002 petroleum agreement was signed before any exploration had taken place. Once oil of commercial quantities had been discovered and the petroleum agreement was reviewed, it became clear that there were certain misalignments between the terms of the petroleum agreement and laws on taxation and government-initiated changes to overall fiscal/tax regimes. The petroleum agreement therefore needed to be renegotiated and it became difficult to achieve consensus between the various government departments and the joint-venture partners on an acceptable compromise. As negotiations became protracted, some of the joint-venture partners pursued other priorities.

Q: At what oil price is the Apsara oil development commercial? What is the breakeven price?

A: Breakeven levels will vary for different phases of development and are commercially sensitive. The varying levels are not public information but, as an indication, we can say that, based on the current price levels for Brent crude oil and other various assumptions, the initial phases of the Apsara development project are expected to exceed our internal rate of return thresholds.

Q: What is the cost of development of Phase 1A? What will be the cost of subsequent platforms?

A: KrisEnergy releases its annual capital expenditure budget at the Group level at the end of each financial year and updates with actual spend versus forecasts at the half-year mark. These projections and updates are on a Group basis.

In addition, once FID is declared and the Apsara oil development project is formally launched, KrisEnergy will undertake a competitive bidding process for materials, equipment and services, among others. It would not be appropriate to release expected capital expenditure at this point when embarking on a competitive bidding process.

Q: Is KrisEnergy selling out?

A: KrisEnergy has a 95.0% working interest in Block A and has stated that it will farm-out or divest part interest in assets where it has a high working interest.

- ***How much of Block A are you willing to sell and at what price?*** We are focused on seeking suitable partners with the financial and technical capabilities and which understand the capital intensive and long-term nature of a development such as Cambodia Block A. Once such a partner or partners are identified, a formal negotiation process will be undertaken to reach the best commercial terms for all parties and stakeholders.
- ***Will you give up operatorship?*** No.
- ***Have you found a partner?*** While we have been approached by several interested parties, we have not made any firm decision and are still evaluating the suitability of these parties.
- ***Will FID depend on you finding a new partner?*** No.

Q: Have recent management changes at KrisEnergy had any bearing on the Company's ability to pursue the Cambodia Block A project?

A: No, KrisEnergy's core development and project teams remain intact.

Q: What if the new Amended Law on Tax is not enacted?

A: The Amended Law on Tax is specifically relevant to the extractive industries and is scheduled to be passed by the Royal Government of Cambodia within a year of the signing date (23 August 2017). The key features are changes to the income tax rate, excess profits tax and the parameters governing depreciation. The Government has provided a guarantee where the terms of the new Amended Law on Tax will be adopted for Cambodia Block A even if the law is not enacted.

Q: What is the split between the Government and KrisEnergy on profits from the Apsara development? Will this change as more platforms are installed and brought into production?

A: A summary and table of the key fiscal and commercial terms for Cambodia Block A are provided in the section *Fiscal & Commercial Outline* in the Information Pack.

Q: What is the expected revenue collection of the Government from the Cambodia Block A development for Phase 1A, 1B, etc?

A: Revenue collection for all stakeholders will depend on several prevailing factors at the time such as, and not exclusively, global benchmark (Brent) oil price, the price spread between Brent crude oil and the Asian regional benchmark Dubai crude, the premium or discount achieved to market Apsara crude oil, which will depend upon regional crude oil demand and the quality of the Apsara crude oil, among others. It is not possible to predict concrete revenue streams at this point but the Company runs its commercial model at several price sensitivities to determine commerciality of the project. Two broad indicators for Government's expected returns on the project can be estimated from Government Take and Government Total Income derived directly from the Apsara development:

- Government Take:
 - We have adopted a standard definition for Government Take
 - Government Take is calculated as:

$$\text{Government Take US\$mm} / (\text{Government take US\$mm} + \text{Contractor Take US\$mm})$$
 - It excludes:
 - cost recovery
 - all taxes except (a) petroleum income tax (b) excess petroleum income tax (c) royalty (d) export tax
 - Government Take will be around 2/3 of Total Take (= Government Take + Contractor Take). We do not provide crude oil price sensitivities and the impact on Government Take.
- Government Total Income:
 - Government Total Income is wider and larger than Government Take.
 - It incorporates Government Take and includes all forms of local taxes. For example: (a) withholding tax (WHT) on foreign sources services (b) WHT dividends; (c) WHT on interest payments, etc.
 - At current oil price environment (assume \$50/bbl Brent), the Apsara development (Phases 1A + 1B) is expected to generate a minimum of US\$500 mm of total petroleum and tax income for the Government. This amount will increase with any increase in oil price.

Q: How will the Government use the proceeds from Cambodia Block A revenue collection?

A: All revenues to the Government will be centrally collected by the Treasury and the Government reserves the right to use the funds according to the annual National Budget.

Q: How will the Government use the revenue collected from its 5% participating interest in Cambodia Block A?

A: All revenues to the Government will be centrally collected by the Treasury and the Government reserves the right to use the funds according to the annual National Budget. As per the Law, revenue generated from oil developments will go to the State. The National Government has the authority to plan on how revenues should be spent, and these plans will be announced in the National Assembly.

Q: How will the revenue be reported by the government? Will there be transparency so Cambodians can see how much money is coming in and how it is being used?

A: As per the Law, revenue generated from oil developments will go to the State. The National Government has the authority to plan on how revenues should be spent, and these plans will be announced in the National Assembly.

Q: Are the terms of the agreement with the Cambodian Government similar to agreements that KrisEnergy has with authorities in other countries where it operates?

A: In Bangladesh, Indonesia and Vietnam, the prevailing petroleum agreements fall under the production sharing contract model. In Thailand, the current contracts are on a royalty/tax basis. The petroleum agreement for Cambodia Block A is a hybrid between the two regimes – a royalty/tax component with cost recovery elements.

EHSS & CORPORATE SOCIAL RESPONSIBILITY (“CSR”)

Q: What are the local content requirements?

A: As the Apsara oil development project will be Cambodia’s first commercial hydrocarbon production, KrisEnergy, as the responsible operator, will take all steps and measures to ensure that all operations are undertaken to meet the Company’s internal Environment, Health, Safety & Security (“EHSS”) standards as well as those set by the host country regulatory authorities. The Company will use various sub-contractors who will be technical experts in their field. The Company intends to use best efforts to hire locally based subcontractors where possible. To ensure fairness, KrisEnergy will undertake a competitive bidding process for materials, equipment and services, among others – this applies to all subcontractors (international or local). Any opportunities for the supply of goods and services will be advertised in Cambodia so that local subcontractors are notified of such opportunities. All employees, contractors, subcontractors and any other party working on the Apsara project will be required to have the requisite qualifications and EHSS standards.

Q: How many jobs will this development provide to Cambodians?

A: Currently, this is difficult to pinpoint. KrisEnergy is committed to employ local services and companies where possible and appropriate. Until the offshore industry has matured in Cambodia, it may be necessary to engage foreign companies and individuals for specialist technical services such as specific mechanical and engineering services, fabrication, offshore vessel support, among others. However, for certain support services and supplies, KrisEnergy will endeavour to engage local companies and personnel. As is normal oilfield procedure, KrisEnergy is obliged to tender many contracts, which will be awarded on a competitive basis with the Government’s input. All companies, services and personnel engaged must have the requisite qualifications and EHSS standards.

Q: How will Cambodians be trained to be able to work in the offshore industry?

A: KrisEnergy will establish a pilot program modelled on its experience in other countries and will engage training services provider to provide specialised vocational/technical training in specific disciplines. This will also include training in all elements of EHSS to the Company’s internal standards and any applicable regulatory standards in Cambodia.

Q: Will you use Cambodian companies on the Cambodia Block A project? What sort of companies would be employed?

A: All providers and personnel engaged for the Cambodian Block A development will be required to hold the applicable qualifications and EHSS standards as stated above. Many services etc. will go to tender and awards will be made on the best technical and commercial bidder.

Q: How much will KrisEnergy spend per year on community projects?

A: KrisEnergy has been contributing to community projects since 2010 when it became a stakeholder in Cambodia Block A. While CSR contributions are not specifically a requirement under the Petroleum Agreement, it is the Company's intention to continue to support local enterprise to achieve self-sufficiency in the framework of carefully monitored and audited programs. KrisEnergy's internal CSR policy is the support of education and training, healthcare and social wellbeing.

Q: Will community projects be all over Cambodia or just local to KrisEnergy's operations near to the coast?

A: All projects will be reviewed on a case-by-case basis.

Q: What will be the focus of community projects?

A: KrisEnergy's internal CSR policy is the support of education and training, healthcare and social wellbeing.

Some of the statements in this document, which are not historical facts, are statements of future expectations with respect to the financial conditions, results of operations and businesses, and related plans and objectives. These statements are based on the Company's current views, intentions, plans, expectations, assumptions and beliefs about future events and are subject to risks, uncertainties and other factors, many of which are outside the Company's control. No undue reliance should be placed on these statements.