



## Fiscal & Commercial Outline

The Royal Government of Cambodia, represented by the Ministry of Energy and Mines and the Ministry of Economy and Finance, have collaborated with KrisEnergy to transform Cambodia Block A from an exploration success to a firm development project with first oil expected 24 months after the Company declares final investment decision (“FID”). FID is an internal sanction by the operator for the final decision to commit to the capital investment for an oil and gas project.

A suite of documents were signed on 23 August 2017 that will give effect to the Apsara development project, including, among others:

- A revised petroleum agreement that updates prior petroleum agreements for Cambodia Block A. A table comparing revisions of key terms of the petroleum agreement are attached. While most of the original terms remain unchanged, some notable changes are:
  - Reduction of cost recovery limit from the original 90.0% of production to 85.0% of production for first five years of commercial production and 70.0% of production thereafter;
  - The second relinquishment of approximately 1,626 sq. km from the previous block outline of 4,709 sq. km. The remaining contract area of 3,083 sq. km includes the production area for the Apsara oil field; and
  - Conformity to the new Amended Law on Tax scheduled to be enacted by the Royal Government of Cambodia within a year of the signing date.
- Key features of the production permit (the area solely for the Apsara oil development):
  - Production area of 197.6 sq. km, which covers Phase 1A and Phase 1B areas of the Apsara oil field;
  - Permit duration of 25 years from the signing date of 23 August 2017; and
  - Approval by the Ministry of Mines and Energy for KrisEnergy’s development plan for Phase 1A and Phase 1B of the Apsara oil field.
- Deed of Assignment to complete the transfer of 5.0% participating interest from KrisEnergy to the General Department of State Property and Non Tax Revenue (“GDSPNTR”) of the Ministry of Economy and Finance. GDSPNTR is the asset holding unit of the Royal Government of Cambodia;
- Amended Joint Operating Agreement, the key features of which are:
  - Regulates the relationship between KrisEnergy as the operator of Cambodia Block A and GDSPNTR in its capacity as a partner in the concession; and
  - KrisEnergy’s responsibility to carry GDSPNTR’s share of the costs for the development of Cambodia Block A.
- Fiscal terms for Cambodia Block A as agreed with the Ministry of Economy and Finance. The key terms include:
  - Income tax of 25.0% for five years from the first year of taxable income, and 30.0% thereafter;
  - Excess income tax: If the ratio of cumulative income of the contractor to its cumulative expenses is greater than 1.3, the contractor will be subject to excess income tax at a progressive rate. For tax years where income tax is levied, the excess

income tax (with a progressive rate between 10.0% and 30.0%) will apply to the applicable excess income;

- An export tax of 2.0%;
- A withholding tax on dividend payments: 0% of payments for five years from the first year of taxable income, and 10.0% thereafter; and
- Depreciation, key features of which include, among others:
  - Exploration expenditure to be depreciated using the straight-line depreciation method based on the expected life of commercial production or five years, whichever is shorter; and
  - Development expenditure to be depreciated using the straight-line depreciation method based on the expected life of the commercial production of each production facility or 10 years, whichever is shorter.
- Development Plan. See section *Outline of Development Plan* contained in the Information Pack.

See the table below comparing revisions of key terms of the petroleum agreement.

### Cambodia Block A Production Agreement – Revisions to Key Terms

	Prior PA	Revised PA (2017)																
<b>Royalty</b>	12.5% of production	12.5% of production																
<b>Cost recovery petroleum</b>	90.0% of production	85.0% of production for first five years from day of first sale/disposal of commercial production, and 70.0% of production for the period thereafter																
<b>Allocation of remaining oil (to contractor)</b> (average annual production)	<table border="0"> <tr> <td>Up to 10,000 bopd</td> <td>58.0%</td> </tr> <tr> <td>From 10,001 bopd up to 25,000 bopd</td> <td>53.0%</td> </tr> <tr> <td>From 25,001 bopd up to 50,000 bopd</td> <td>48.0%</td> </tr> <tr> <td>In excess of 50,001 bopd</td> <td>38.0%</td> </tr> </table>	Up to 10,000 bopd	58.0%	From 10,001 bopd up to 25,000 bopd	53.0%	From 25,001 bopd up to 50,000 bopd	48.0%	In excess of 50,001 bopd	38.0%	<table border="0"> <tr> <td>Up to 10,000 bopd</td> <td>58.0%</td> </tr> <tr> <td>From 10,001 bopd up to 25,000 bopd</td> <td>53.0%</td> </tr> <tr> <td>From 25,001 up to 50,000 bopd</td> <td>48.0%</td> </tr> <tr> <td>In excess of 50,001 bopd</td> <td>38.0%</td> </tr> </table>	Up to 10,000 bopd	58.0%	From 10,001 bopd up to 25,000 bopd	53.0%	From 25,001 up to 50,000 bopd	48.0%	In excess of 50,001 bopd	38.0%
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<b>Allocation of remaining gas (to contractor)</b>	65.0%	65.0%																
<b>Income tax</b>	25.0% for five years from first profit and 30.0% thereafter	25.0% for five years from first year of taxable income, and 30.0% thereafter																
<b>Excess income tax</b>	None	In addition to Income tax, a further tax will be levied if there is an excess income (akin to an excess or windfall profit tax). Excess income is deemed to occur if the ratio of cumulative income of the contractor to its cumulative expenses were greater than 1.3, it will be subject to excess income tax at a progressive rate. For tax years where income tax is levied, the excess income tax (with a progressive rate of 10.0% to 30.0%) will apply to the applicable excess income																
<b>Export tax</b>	Exempt	2.0%																
<b>Production bonus payment</b>	None	None																
<b>Annual surface rental fee</b>	US\$500/sq. km of unrelinquished production area (once production permit is effective) and up to US\$40/sq. km of unrelinquished exploration area (expires once production permit is effective)	US\$500/sq. km of unrelinquished contract area from effective date																

	<b>Prior PA</b>	<b>Revised PA (2017)</b>
<b>Government Participation Option</b>	5.0% exercised by Ministry of Mines and Energy on 15 November 2011 and completion to conclude effective date of production permit	5.0% participating interest held by General Department of State Property and Non Tax Revenue <sup>1</sup> ("GDSPNTR") of the Ministry of Economy and Finance. Petroleum operations costs associated with GDSPNTR's 5.0% participating interest will be carried by the remaining holder(s) of the 95.0% participating interest in the block and reimbursed out of GDSPNTR's share of revenues from commercial production
<b>Effective Date</b>	18 March 2002	23 August 2017
<b>Production Area</b>	–	197.6 sq. km – Apsara (Phase 1A and Phase 1B)
<b>Production Permit Expiry Date</b>	30 years from date of first commercial production	22 August 2042, being 25 years from issue of first production permit
<b>Licence Area (sq. km)</b>	4,709	3,083 <sup>2</sup>

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<sup>1</sup> Asset holding entity of the Royal Government of Cambodia

<sup>2</sup> Second relinquishment of 1,626 sq. km effected on 23 August 2017