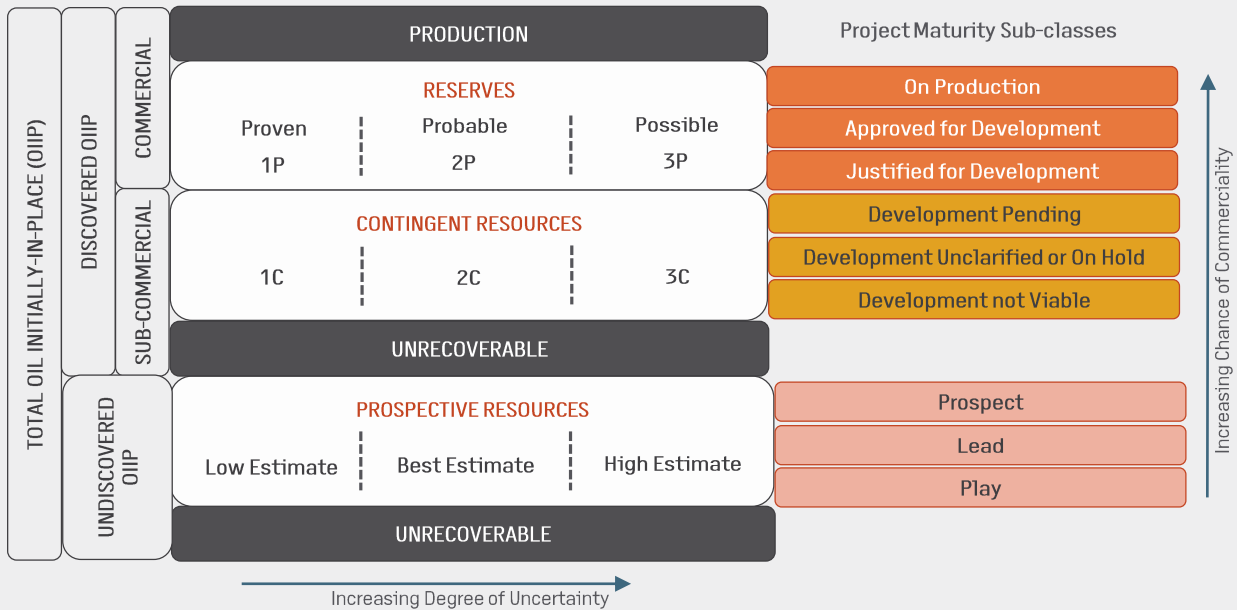


RESERVES AND RESOURCES

Oil can be defined as hydrocarbons in the gaseous, liquid or solid phase. The estimation of oil resource quantities involves the interpretation of volumes and values that have an inherent degree of uncertainty. These quantities are associated with development projects at various stages of design and implementation.



PROSPECTIVE AND CONTINGENT RESOURCES

Resources are viewed as potentially recoverable depending on either technical developments or a more favourable position.

- Prospective resources** are hydrocarbons which are potentially recoverable. For a prospective resource to mature into a contingent resource, exploration wells must clearly prove to contain hydrocarbons and allow for a refined estimate of potential recoverability.
- Contingent resources** have been discovered but not yet mature enough for commercial development due to one or more contingencies. These are further categorised in accordance to the level of certainty associated with estimates.

RESERVES

Reserves are quantities of oil that may be commercially recoverable in future.

- Proven reserves (1P)** have a high degree of certainty to be recovered from reservoirs under existing conditions. There is relatively little risk associated with such reserves.
- Proven & Probable reserves (2P)** have at least a 50% probability that reserves will be recovered. This is determined after analysing geological and engineering data.
- Proven, Probable & Possible Reserves (3P)** has a low degree of certainty to be recovered. There is relatively high risk associated with these reserves.

The degree of uncertainty is represented by a probability distribution:

- P90** – At least 90% probability that the quantities recovered will equal or exceed the low estimate
- P50** – At least 50% probability that the quantities recovered will equal or exceed the best estimate
- P10** – At least 10% probability that the quantities recovered will equal or exceed the high estimates

Contingent resources may be considered commercially producible if there is demonstration of firm intention to proceed with development and such intention is based upon all of the following criteria.

- Evidence to support a reasonable timetable for development;
- Reasonable assessment of the future economics of development projects;
- Reasonable expectation that there will be a market for all or at least expected sales quantities production;
- Evidence that necessary production and transportation facilities are available; and
- Evidence that legal, contractual, environment and other social and economic concerns will allow for the actual implementation of the recovery project.

Source: Society of Petroleum Engineers (SPE)



For a contingent resource to be reclassified as a reserve, it has to have sufficient chance of commercial development. A project must have high confidence in the commercial producibility of the reservoir as supported by actual production or formation test.

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