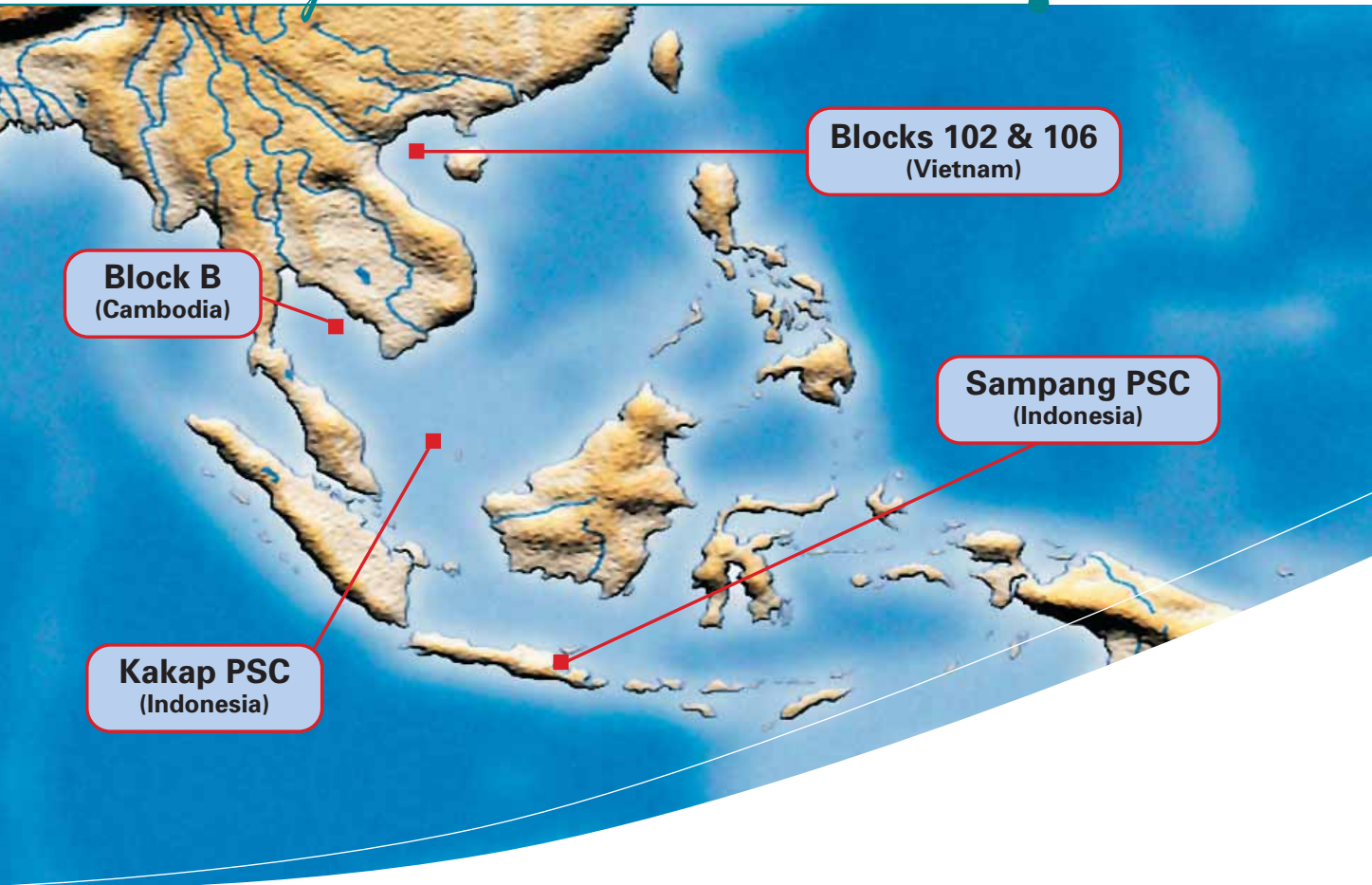


Exploration & Production



Currently, SPC owns interests in four upstream assets, namely Kakap Production Sharing Contract (Kakap PSC), located offshore in the West Natuna Sea, Indonesia; Sampang Production Sharing Contract (Sampang PSC), located offshore East Java, Indonesia; Blocks 102 and 106 located offshore Vietnam in the Gulf of Tonkin (Blocks 102 and 106); and Block B located offshore Cambodia in the Gulf of Thailand (Block B). The Company also has interests in midstream gas pipeline assets in Indonesia.

E&P Business Performance

The E&P BU turned in a robust performance for 2005 as global oil prices stayed high throughout most of the year. Net realised oil price for E&P activities averaged US\$57.44 per barrel of oil equivalent (boe), contributing to the strong revenue of \$39.1 million and net operating profit of \$22.1 million. Net production was 2,300 boe per day.

The E&P BU had a challenging year in 2005 with its active involvement in the implementation of various work programmes within its upstream blocks. These included studying and planning of exploration work, reviewing of

drilling results, drilling of well workovers and maintenance of facilities. In addition, the Company has made significant progress in its first development project to monetise its oil and gas reserves in the Oyong field located in the Sampang PSC, with first oil production expected to commence in 2006.

Besides implementing work programmes to realise the full potential and extend the value of its existing assets through exploration drillings and workovers, the E&P BU continued to pursue a growth strategy to expand its upstream portfolio in the region.

During the year, the E&P BU successfully farmed-in for an additional 10 percent participating interest in Blocks 102 and 106 in Vietnam. Furthermore, the E&P team added a new exploration block in Cambodia to its E&P portfolio. With the addition of Block B in Cambodia, SPC's first E&P asset in this country, the Company's E&P geographic coverage has extended beyond Indonesia and Vietnam to include Cambodia.

E&P Business Highlights

Kakap PSC, Indonesia

The Kakap PSC which covers approximately 2,000 square kilometres, is located in the West Natuna Sea, Indonesia, 486 kilometres northeast of Singapore and 1,247 kilometres northwest of Jakarta, Indonesia. The Kakap PSC consists of two separate blocks, namely North Kakap and South Kakap. There are currently seven producing oil and gas fields in South Kakap.

Oil produced from these platforms is piped to a Floating, Production, Storage and Offloading (FPSO) vessel for processing and storage prior to export. Besides oil, South Kakap produces gas as well. Gas from the field is processed before being transported through the West Natuna Transportation System (WNTS) pipeline to Singapore. Since 2001, SPC and its partners in the Kakap PSC had commenced gas supply to Singapore under a 22-year term contract. To accommodate this long term gas supply to Singapore, a new production sharing contract for Kakap was signed in 1999 which came into effect in 2005 and extending the production period to 2028.

During the year, two workover wells were drilled to further enhance oil and gas deliverability capability. One of the wells, Jangkar-2X, was drilled and successfully re-completed as an oil and gas producing well. The other well, KRA-South, is currently being drilled. Two additional workover wells are planned in 2006.

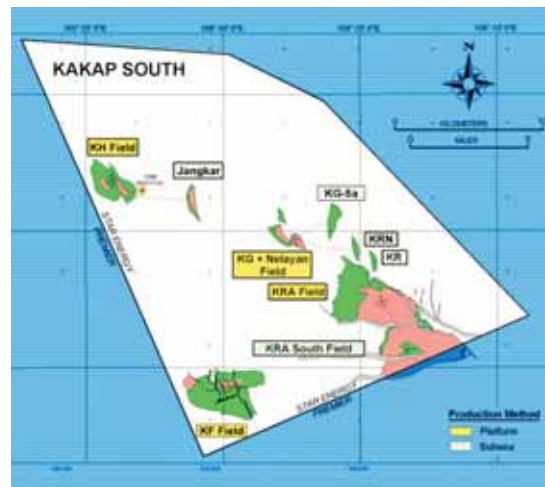
In 2006, the Kakap PSC co-venturers are committed to drill an exploration well in the Lukah prospect, which has oil and gas potential. In addition, production from the Kakap PSC will continue to be optimised through the implementation of measures to enhance efficiency and reduce gas flaring.

Sampang PSC, Indonesia

Oyong Field

Development of the Oyong oil and gas field in the Sampang PSC, offshore East Java, Indonesia, commenced in mid-2005 following the approval of a revised plan of development by the Indonesian authority. This is SPC's first involvement in an upstream development project. Located in shallow waters offshore East Java some 45 kilometres east of the city of Surabaya, the Oyong oil and gas field is being developed in two phases – an early oil phase with first oil production expected in mid-2006, followed by a gas development phase with first gas production expected in early 2007.

The phase 1 oil development, comprising a seven well development drilling programme, had been completed, with five wells drilled and completed as oil wells and two for future gas wells. Conversion of the production

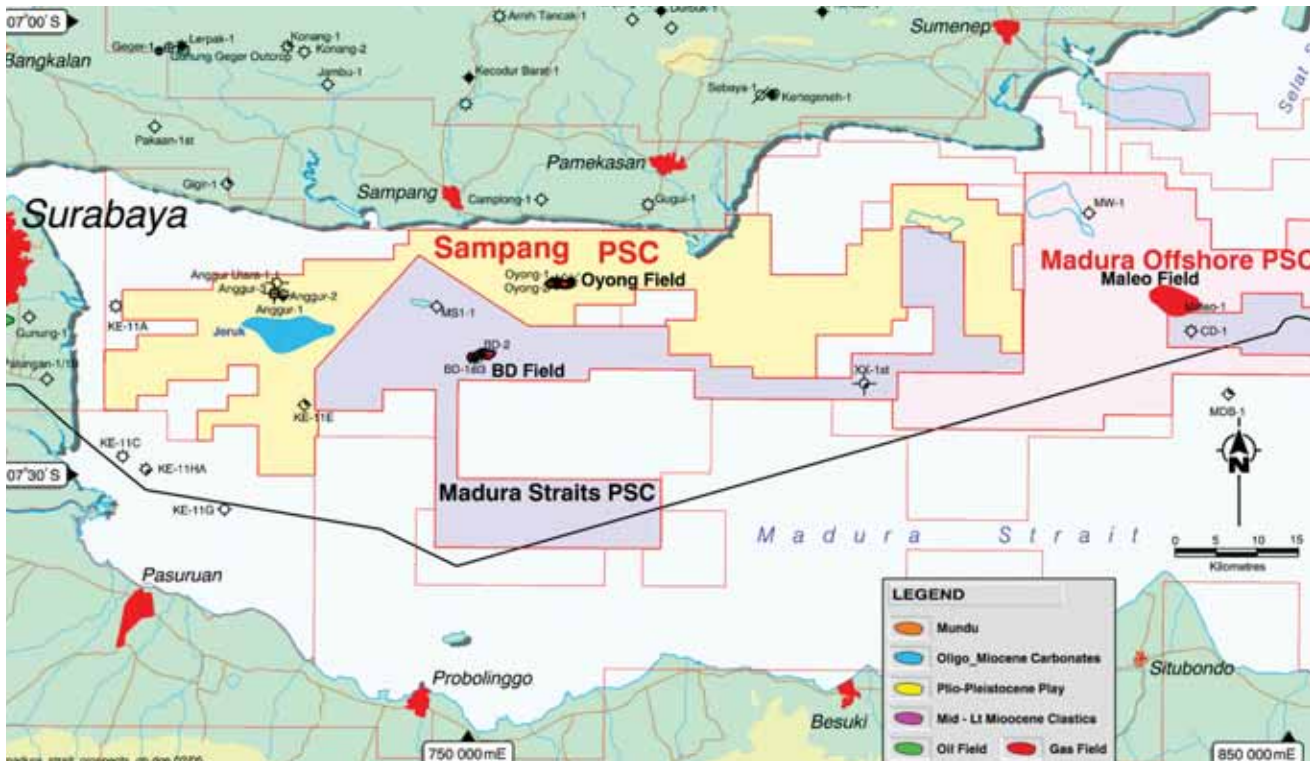


Top : Kakap oil and gas fields, West Natuna Sea, Indonesia.

Bottom : Sedco 601 Rig drilling in Jeruk field, Sampang PSC, Indonesia.

barge and the Floating, Storage and Offloading (FSO) vessel are currently in progress. The oil and gas produced from the Oyong field will be processed on the production barge before being piped to the permanently moored FSO tanker for storage and export. Initially, solution gas associated with the early oil production will be re-injected into the reservoir until gas production begins.

The phase 2 gas development, which is currently underway, will include the construction of a 60-kilometre, 14-inch diameter gas pipeline from the field to a power plant located at Grati, East Java, owned by PT Indonesia Power, a unit of Indonesian state-owned electricity generating company PT Perusahaan Listrik Negara. Gas sales volume is expected to be between 40 and 60 billion British Thermal Unit per day under a gas sales agreement signed with PT Indonesia Power in July 2003.



Sampang PSC, offshore East Java, Indonesia.

In any development project, there is an inherent risk that the actual geological structure and reservoir qualities may differ from the initial expectation. For the Oyong field, drilling of the development wells had revealed unexpected sealing faults that divided the reservoir into several fault bounded compartments.

Oil was absent from fault blocks in the southern region of the field, but present in the northern region. Preliminary analysis of the structural complexities suggested that recoverable oil volumes were likely to be less than the initial estimate of eight million barrels. The drilling results confirmed that the gas column was present in all fault compartments as anticipated. Recoverable gas volumes are likely to remain at around 100 billion standard cubic feet (scf) of sales gas.

The Company, however, is optimistic that the current high oil price environment would make up for the lower oil reserve as revealed by the development drilling.

Jeruk Field

The Jeruk discovery in the Sampang PSC was made with the Jeruk-1 exploration well drilled in late 2003 and further appraised by the Jeruk-2 well drilled in July 2004. Prior to SPC’s acquisition of its interests in the Sampang PSC

from El Paso Production Oil and Gas Company (El Paso) in July 2004, El Paso had opted not to participate in the drilling of the Jeruk-1 and Jeruk-2 wells. Cue Sampang Pty Ltd (Cue), which holds a 15 percent participating interest in the Sampang PSC, had also opted not to participate in the drilling of the two wells at that time.

As a result, the Jeruk-1 and Jeruk-2 wells were drilled as a sole risk operation by the operator Santos (Sampang) Pty Ltd (Santos) as permitted under the Sampang Joint Operating Agreement (Sampang JOA). PT Medco Energi Internasional Tbk. (Medco) shared and funded 50 percent of the cost of the Jeruk sole risk operation under a separate agreement with Santos. The Jeruk-2 well flowed 7,488 barrels of 33° API oil and 2.2 million scf of gas per day.

On 30 March 2005, Santos issued a notice to SPC proposing an appraisal drilling programme to further assess the Jeruk discovery. The notice gave SPC an option to reinstate its 40 percent interest in the discovery under the terms of the Sampang JOA. On 29 April 2005, SPC exercised its rights to reinstate its 40 percent interest in the Jeruk oil discovery. The reinstatement required SPC to repay its 40 percent share of all past costs associated with Jeruk. In addition, SPC incurred

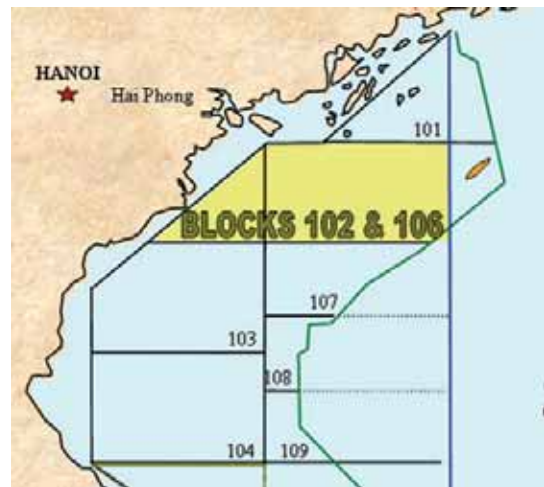
an obligation to pay an in-kind premium, estimated at approximately US\$145 million, out of a future Jeruk production to Santos. Cue reinstated its 15 percent interest in Jeruk at the same time as SPC.

With SPC and Cue having reinstated a combined 55 percent interest in the Jeruk field, Medco ended up relinquishing its entire 50 percent sole risk interest in the field, with Santos relinquishing the balance five percent interest. As a result, under the Medco and Santos agreement, Medco was entitled to receive approximately 90.9 percent of the past cost repayment and in-kind premium payable to Santos by SPC and Cue.

Following the reinstatement, SPC participated in the re-entry of Jeruk-2 well to drill two side track wells, Jeruk-2 ST4 and ST5. The wells were suspended for future potential re-entry following a successful Drill Stem Test (DST) which flowed at a stabilised rate of 3,000 barrels of oil per day with a Gas-Oil Ratio of 450 scf per barrel through a 22/64 inch choke over the interval of 5,027 – 5,102 metres measured depth. The rate was constrained by surface facility limitations and the need to maintain a stable rate for evaluation purposes.

The well results and preliminary interpretation of the new 3D seismic survey acquired over the Jeruk field revealed that the Jeruk reservoir and structure are likely to be more complex. Additional wells have been planned for 2006 to further evaluate the field and to reduce the risks and uncertainties. The Jeruk-3 well was spudded on 24 Jan 2006 and is drilling ahead at the time of this report, with a planned total depth of 5,500 metres in measured depth.

Given the uncertainty over Jeruk's resource potential, efforts were made to remove the obligated in-kind premium so as to lower the minimum resource threshold that SPC would require to support a commercial development of the Jeruk field. On 4 January 2006, SPC entered into an agreement with Medco under which SPC would transfer an approximately 18.2 percent economic interest in the Jeruk field to Medco, in exchange for Medco reimbursing SPC of its proportionate share of past Jeruk cost amounting to approximately US\$16 million and the in-kind premium it was entitled to receive from Santos following SPC's reinstatement. This worked out to approximately US\$132 million of premium reimbursement for SPC. A Deed of Release was subsequently entered into with Santos and Medco whereby SPC was relieved from paying Medco's entitlement of the back-in premium to Santos, thereby eliminating the need for Medco to reimburse the same to SPC. The agreement with Medco would therefore



Blocks 102 and 106 in Song Hong Basin, Vietnam.

enable SPC to benefit from early cash flow from a future Jeruk production at its effective economic interest of approximately 21.8 percent.

Under the terms of the Sampang PSC and as with other Indonesian production sharing contracts, the Indonesian government has the right to nominate an Indonesian entity to participate in a 10 percent undivided interest in the Sampang PSC. During the year, PT Petrogas Oyong Jatim (Petrogas), a company owned by the Provincial Government of East Java, was nominated as the Indonesian participant and subsequently accepted the offer to acquire a 10 percent interest in the Sampang PSC. Legal documentation is currently being finalised to formalise its participation. Petrogas is required to reimburse its 10 percent share of past operating costs incurred in the Sampang PSC to the existing partners, including SPC.

Subsequent to Petrogas' participation, SPC's economic interest in the Jeruk field would be adjusted to approximately 19.6 percent. Apart from the Jeruk field, SPC continues to hold a 36 percent interest in the other parts of the Sampang PSC, proportionately adjusted to include Petrogas' 10 percent participation in the PSC.

The ongoing appraisal of the Jeruk discovery will include the continuing review and evaluation of the results from the current Jeruk-3 well drilling and interpretation of the Jeruk 3D seismic survey. The cumulative appraisal results will provide critical input as SPC and its partners in the Jeruk field review and plan the future appraisal programme to determine the full potential of the Jeruk discovery.

Blocks 102 and 106, Vietnam

In September 2005, SPC successfully concluded a second farm-in with ATI Petroleum Inc. to double its participating interest in Blocks 102 and 106 to 20 percent. Blocks 102 and 106 are located in the Song Hong Basin offshore in the Gulf of Tonkin, Vietnam. The first exploration well, Yentu-1X, drilled in Block 106 in late 2004 made an oil and gas discovery.

During 2005, SPC and its partners continued to evaluate the results of the Yentu-1X well and carried out further geological evaluation to map other structures within these blocks, including the acquisition of a 600 square kilometres 3D seismic survey. Processing of the 3D seismic survey is currently underway and is expected to be completed by the second quarter of 2006. There are plans to drill two exploration wells in these blocks with the first well expected to be drilled in the second half of 2006.

Block B, Cambodia

During 2005, SPC successfully negotiated and concluded a new Petroleum Agreement for Block B with the Royal Government of Cambodia, represented by the Cambodian National Petroleum Authority. SPC has a 30 percent interest in the block, which is held through its wholly owned subsidiary SPC Cambodia Ltd.

Block B is located 250 kilometres off the coast of Cambodia to the east of the Thai-Cambodian Overlapping Claims Area, in the Gulf of Thailand. The block lies to the southeast of the Khmer Basin where a number of oil and gas discoveries had been made recently. These discoveries have generated strong interest from the international oil community with resultant optimism in the neighbouring acreages, including Block B.

SPC and its partners in Block B are committed to a three-year exploration programme which comprises drilling of one exploration well and the acquisition of 200 square kilometres of 3D seismic data. The 3D seismic survey is tentatively planned to be carried out in the second half of 2006.

Midstream

The SPC Group has an effective six percent interest in PT Transportasi Gas Indonesia (PT TGI), which owns and operates two major gas transmission lines in Indonesia, namely the 536-kilometre Grissik-Duri Pipeline and the 468-kilometre Grissik-Batam-Singapore Pipeline. SPC's investment is held through its 15 percent equity interest in Transasia Pipeline Company Pvt. Limited, which in turn, owns a 40 percent equity stake in PT TGI.

Both the pipelines have existing long-term contracts for gas throughput that contribute to a significant base load volume, with the balance capacity being contracted out



Block B, Offshore Cambodia.

on an interruptible basis. A major portion of the Grissik-Duri Pipeline is being used to transport gas from gas fields in South Sumatra to Caltex's Duri facilities under long term contracts which commenced in 1998.

The Grissik-Batam-Singapore Pipeline is the second cross-border gas pipeline between Indonesia and Singapore and plays a major role in supplying the gas needs of Batam and Singapore. Gas to Singapore commenced in 2003 under a 20-year term contract with PowerGas of Singapore.

SPC through its Kakap interest, also has an indirect interest in the first Indonesia-Singapore cross-border gas pipeline, the 654-kilometre WNTS, which delivers gas from a consortium of gas fields in the West Natuna Sea to Singapore.

The natural gas industry in Indonesia is expected to continue to grow strongly. The reduced fuel subsidy, new legislative incentives promoting the use of gas, and increased environmental awareness have all contributed to the strong demand growth for gas in Indonesia. Furthermore, the switch to gas from traditional liquid fuel sources for power generation to meet energy requirements has contributed to this increased demand for gas. Other regional gas markets including Singapore are also expected to grow significantly.

Given the gas demand growth, regional pipeline assets are expected to enjoy increasingly higher throughput.

The pipeline assets that SPC owns will similarly benefit from anticipated increased in the transmission of gas, adding value and contributing towards SPC's future performance.