

The expansion of the Group's E&P will create and deliver sustainable future growth.



MAJOR DEVELOPMENTS IN 2007

- Expanded oil production from 2,600 boepd to 10,000 boepd
- Extended footprint to China and Australia
- Made largest acquisition to date, in Bohai Bay, China
- Became operator for the first time in the Pearl River Mouth Basin, China
- Produced first oil at Oyong oilfield, Indonesia

INTRODUCTION

SPC has further diversified its E&P portfolio by entering into China and Australia. This expansion of the Group's E&P will create and deliver sustainable future growth.

In China, SPC established its presence in the Bohai Bay through the acquisition of the Cao Fei Dian (CFD) producing oil fields. It also established its presence in the prolific Pearl River Mouth Basin through an award of a 100% operatorship interest in Block 26/18. SPC acquired its first E&P acreage in Australia with the award of the exploration permit T/47P in the Bass Basin through a successful bid round.

Oil and gas production in 2007 was lifted by the commencement of oil production from the Oyong field in Sampang PSC and further boosted by the purchase of the CFD producing fields. By the fourth quarter of 2007, SPC's combined oil and gas production from Kakap, Oyong and CFD climbed from 2,600 boepd to approximately 10,000 boepd.

In addition to these producing assets, SPC has other assets at exploration and pre-development stages. It also holds interests in midstream gas pipeline assets in Indonesia.

PERFORMANCE

In 2007, SPC's production from the Kakap PSC, the Sampang PSC and the CFD fields totalled 1.9 million barrels of oil equivalent (boe). At an average net realised price of US\$70.61 per barrel, the E&P business contributed \$145.1 million in revenue and \$52.4 million in operating profit.

BUSINESS HIGHLIGHTS

Kakap PSC, Indonesia

The Kakap PSC presently has two blocks covering 2,000 km². It is located

in the West Natuna Sea of Indonesia and 486 km northeast of Singapore. There are nine producing oil and gas fields integrated by four platforms and five subsea tie-backs. Produced oil is processed by a Floating Production Storage and Offloading (FPSO) vessel and gas is transported through the West Natuna Transportation System pipeline to Singapore.

SPC continued to enjoy healthy and stable production from the Kakap PSC. For 2007, the combined field production was approximately 975,000 boe for SPC's share. During the year, an exploration well Pancing-1X was drilled which resulted in a non-commercial oil discovery. Continued efforts to bring additional gas production onstream were carried out with the drilling of the KG West-1 well. This well and the Lukah gas discovery in 2006 are currently scheduled for tie-back to the existing platforms. The two wells will maintain the Kakap gas production for supply to Singapore.

Sampang PSC, Indonesia

Oyong

In 2007, the final milestone in the development of Oyong oil was completed with the successful conversion of the production barge and subsequent tie-in with the wells and the Floating, Storage and Offloading (FSO) vessel. Oil started flowing from the Oyong field in September 2007. This is SPC's second producing asset after the Kakap PSC. At the commencement, Oyong produced oil at approximately 8,000 to 10,000 bpd, which equates to 3,200 to 4,000 bpd for SPC's 40% interest.

With the completion of the Oyong oil development, the Sampang partners have embarked on the second phase of Oyong development to monetise its gas reserves. Front End Engineering Design (FEED)



has been completed and tendering of the engineering, procurement, construction and installation (EPCI) contract for the second phase development is ongoing at the time of this report. Gas production is expected to commence in 2009. The gas to be produced will be transported through a 55 km pipeline to an onshore processing facility adjacent to the Grati Power Station in East Java. A gas sales agreement has been concluded with PT Indonesia Power for the entire gas reserves of the field.

Wortel

The partners are evaluating the full potential of the Wortel discovery located 7 km west of the Oyong field. An appraisal well Wortel-3, located east of Wortel-1 well, is scheduled for drilling in 2008. The Wortel discovery is planned as a tie-back to the Oyong gas production.

1. Oyong wellhead.



Jeruk

The Sampang partners continue to examine possible development scenarios to commercialise Jeruk's resources.

Bohai Bay, China

In October 2007, SPC announced its successful US\$223 million (\$334.5 million) acquisition of two producing blocks in Bohai Bay, China. Through its wholly-owned subsidiary, SPC E&P (China) Pte Ltd, SPC won a competitive bid for 100% of Sino-American Energy Corporation shares with 18.2% (8.9% – producing fields) and 23% (7.8% – producing fields) working interest in Blocks 04/36 and 05/36, respectively.

Blocks 04/36 and 05/36 are located in western Bohai Bay, 190 km east of Beijing, covering a total of 3,080 km². The blocks contain several CFD producing fields with a total gross production of approximately 50,000 bpd. Produced oil is gathered by six platforms and processed by a FPSO under a long term lease.

Effective 1 July 2007, the Bohai Bay assets contributed approximately 4,300 bpd to SPC's production. Ongoing infill drilling and well workover are being conducted by the operator to maximise production from the fields. The Bohai Bay assets is currently SPC's largest producing property.

1. CFD FPSO Vessel.
2. Oyong production barge.

Blocks 102 and 106, Vietnam

Blocks 102 and 106 cover approximately 14,000 km² and contain the Yentu-1X and Thai Binh oil and gas discoveries. In 2007, the partners completed a 2,189 km 2D seismic survey in these blocks. The joint venture partners are currently planning to conduct a three-well exploration/appraisal drilling programme in 2008.

Block 101-100/04, Vietnam

Block 101-100/04 is located in the Gulf of Tonkin, Northern Vietnam and adjacent to Blocks 102 and 106. This block covers approximately 6,174 km² and has gas and condensate discovery.

Under the exploration phase of the PSC term, the joint venture partners are committed to the processing and interpretation of existing seismic data, acquisition of new 3D seismic surveys and drilling of one exploration well within the first three years. To date, the 3D seismic survey covering 689 km² has been completed. Exploration drilling is planned for early 2009.

Block B, Cambodia

Block B acreage is located 250 km offshore from Cambodia. The block lies on the southeast of the Khmer Basin where a number of oil and gas discoveries had been made.

In January 2007, SPC and its joint venture partners exercised their pre-emption rights to acquire the entire 10% participating interest of CE Cambodia B Ltd. As a result, SPC currently holds a 33.3% participating

interest in this block. A 3D seismic survey of 650 km² was completed. Exploration drilling is planned for the second half of 2008.

Block 26/18, China

In August 2007, SPC signed a petroleum contract with China National Offshore Oil Corporation (CNOOC) for a 100% operating interest in Block 26/18. The Block covers 4,961 km² in the Pearl River Mouth Basin, South China Sea. It is 150 km from shore in water depths between 85 and 200 metres.

Block 26/18 contains the EP-20-3-1 discovery well drilled in 1998. Commercial oil production in the basin had been centred in the Wenchang, Penyu, Huizhou, Lufeng and Liuhua fields. Preliminary geological and geophysical indicate several prospects. Under the initial three-year exploration phase, SPC is responsible to carry out an agreed work commitment on this block which includes acquiring 2,000 km of 2D seismic survey and the drilling of one exploration well. Upon commercial hydrocarbon discovery, CNOOC has the right to participate up to an interest of 51% in the PSC.

T/47P, Australia

In March 2007, SPC together with Tap Oil and Jubilant Energy were awarded an exploration permit for Block T/47P. The Bass Basin block contains the Cormorant oil, condensate and gas discoveries.

In addition to the Cormorant discoveries, T/47P also contains

several exploration prospects and leads within its 2,890 km² acreage. It is located 200 km from Melbourne at a water depth of between 50 and 100 metres.

The joint venture partners are pursuing an aggressive exploration strategy to estimate the potential of the block. In January 2008, a 3D seismic programme covering 525 km² was completed. The partners have secured a drilling rig to conduct exploration drilling in the permit area, commencing early 2009.

Midstream

SPC holds a 15% interest in Transasia Pipeline Company Pvt Ltd (Mauritius), which in turn holds a 40% interest in PT Transportasi Gas Indonesia (PT TGI). PT TGI owns and operates two major gas transmission lines: Grissik-Duri pipeline and Grissik-Batam-Singapore pipeline.

The 468 km Grissik-Batam-Singapore pipeline is the second direct gas pipeline transmitting gas from Indonesia to Singapore. Gas supply to Singapore

commenced in 2003 under a 20-year term contract between Singapore and Indonesia. The 536 km Grissik-Duri pipeline transfers gas from the Grissik gas fields to Caltex's Duri facilities under long-term contracts commencing from 1998.

To support the yearly ramp up of the contractual gas volumes to be delivered to Singapore, PT TGI has begun the installation of a new compressor at Jabung in 2007. The Jabung compressor is expected to be ready by end 2008.

Proven plus Probable Reserves (SPC Share) Based on Working Interest

Net Average 2007 Production (boepd) *	5,293
Estimated Net Reserves Year End 2007 (million of boe) **	24.6

* Includes annualised production from Oyong and CFD (fourth quarter 2007 onwards)

** Based on in-house estimates

SPC Working Interest by Area

	Location	Working Interest [%]	Status
Kakap PSC	Indonesia	15.0	On Production
Sampang PSC	Indonesia	40.0	On Production
- Oyong			(Gas on Development)
- Jeruk		21.8	Pre-development
- Wortel		40.0	Pre-development
Block 04/36	China	8.9	On Production
		18.2	Exploration
Block 05/36	China	7.8	On Production
		23.0	Exploration
Blocks 102 and 106	Vietnam	20.0	Exploration (2008: Exploration Drilling)
Block 101-100/04	Vietnam	45.0	Exploration (2008: Exploration Drilling)
Block B	Cambodia	33.3	Exploration (2008: Exploration Drilling)
T/47P	Australia	35.0	Exploration
Block 26/18	China	100.0	Exploration