INDONESIAN PRODUCTION SHARING CONTRACT (PSC) FISCAL REGIME

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PPM Project

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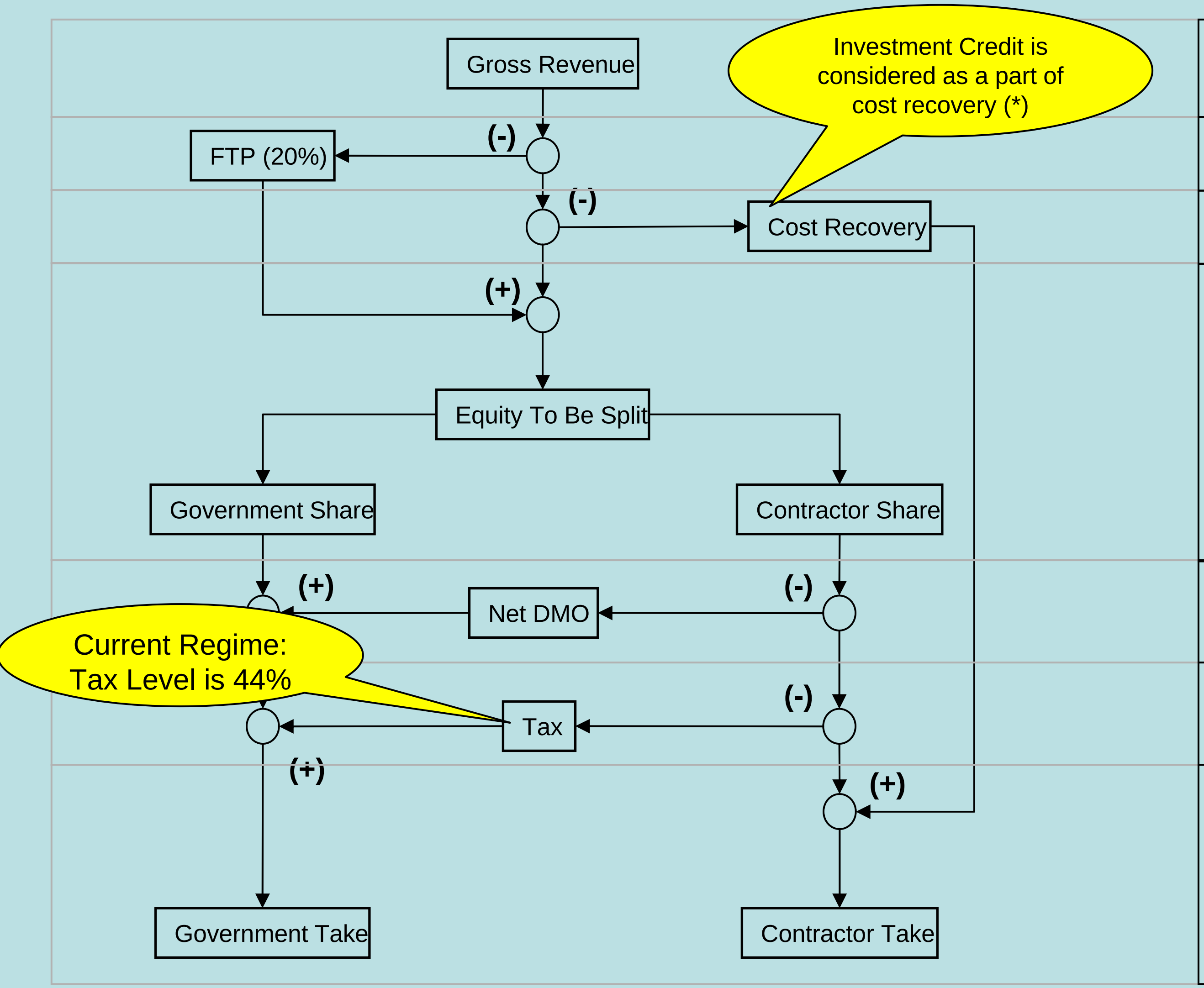
FISCAL REGIME

1. First Tranche Petroleum (FTP)
2. Investment Credit (IC)
3. Cost Recovery
4. Sharing Split (Equity to be Split)
5. Domestic Market Obligation (DMO)
6. Tax Structure
7. ***No Royalty***

BASIC PSC ECONOMIC MODEL



Gross Revenue= (Oil Sale x Oil Price) + (Gas Sales x Gas Price)

FTP= 20% x Gross Revenue

Cost Recovery is taken from Gross Revenue after FTP deduction

FTP + Profit Oil (Equity To Be Split) is split among Government and Contractor.

Oil Split, Govt : Contr. = 85 : 15

Gas Split, Govt : Contr. = 65 : 35

(After Tax Figure!!)

DMO is calculated based on Contractor's Oil share and paid by Contractor to Govt. No DMO for Gas

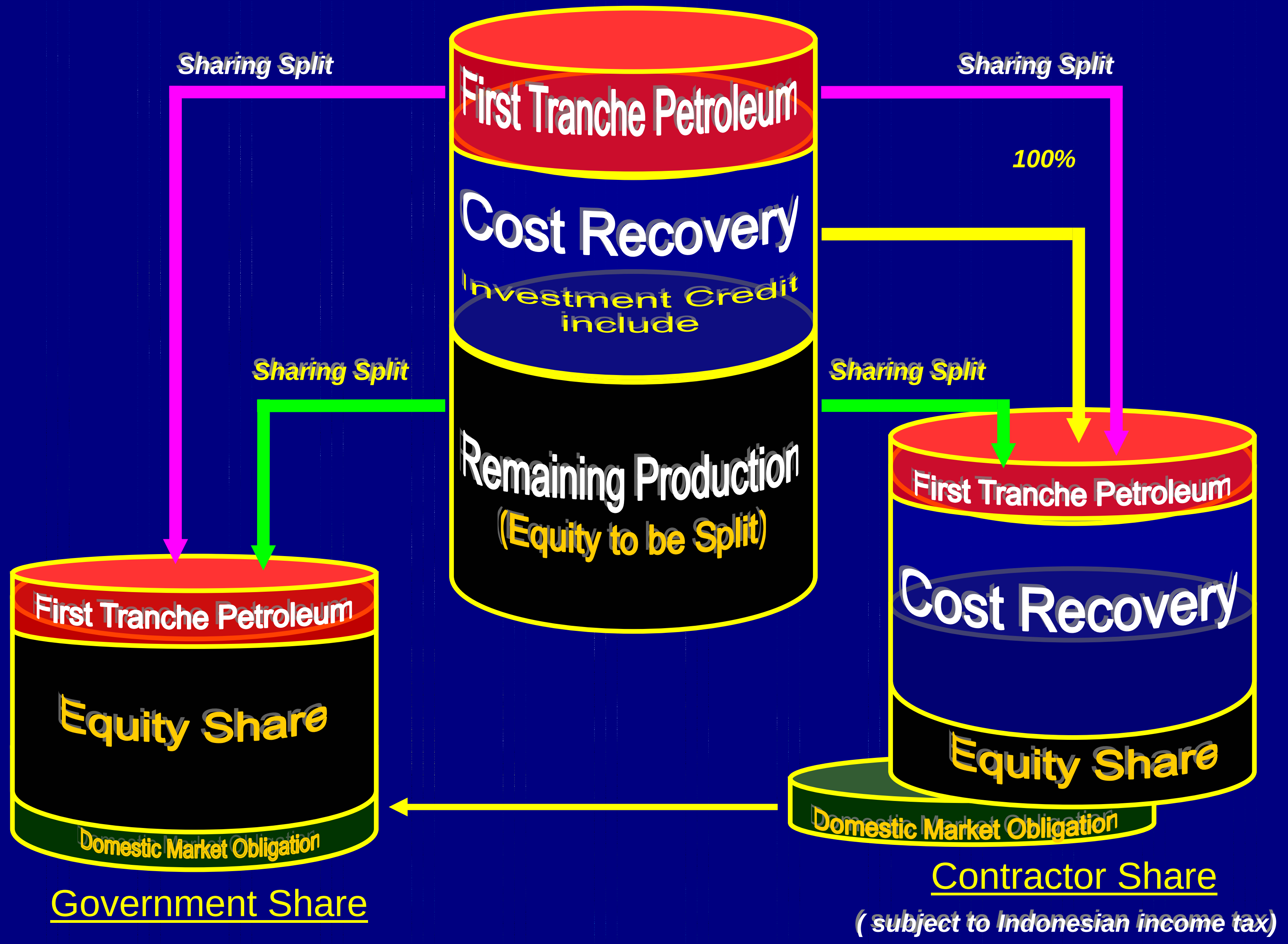
Taxable Income= Contractor Share – DMO paid

Contractor Take = Contractor Share – DMO Paid – Tax –Costs + Cost Recovery

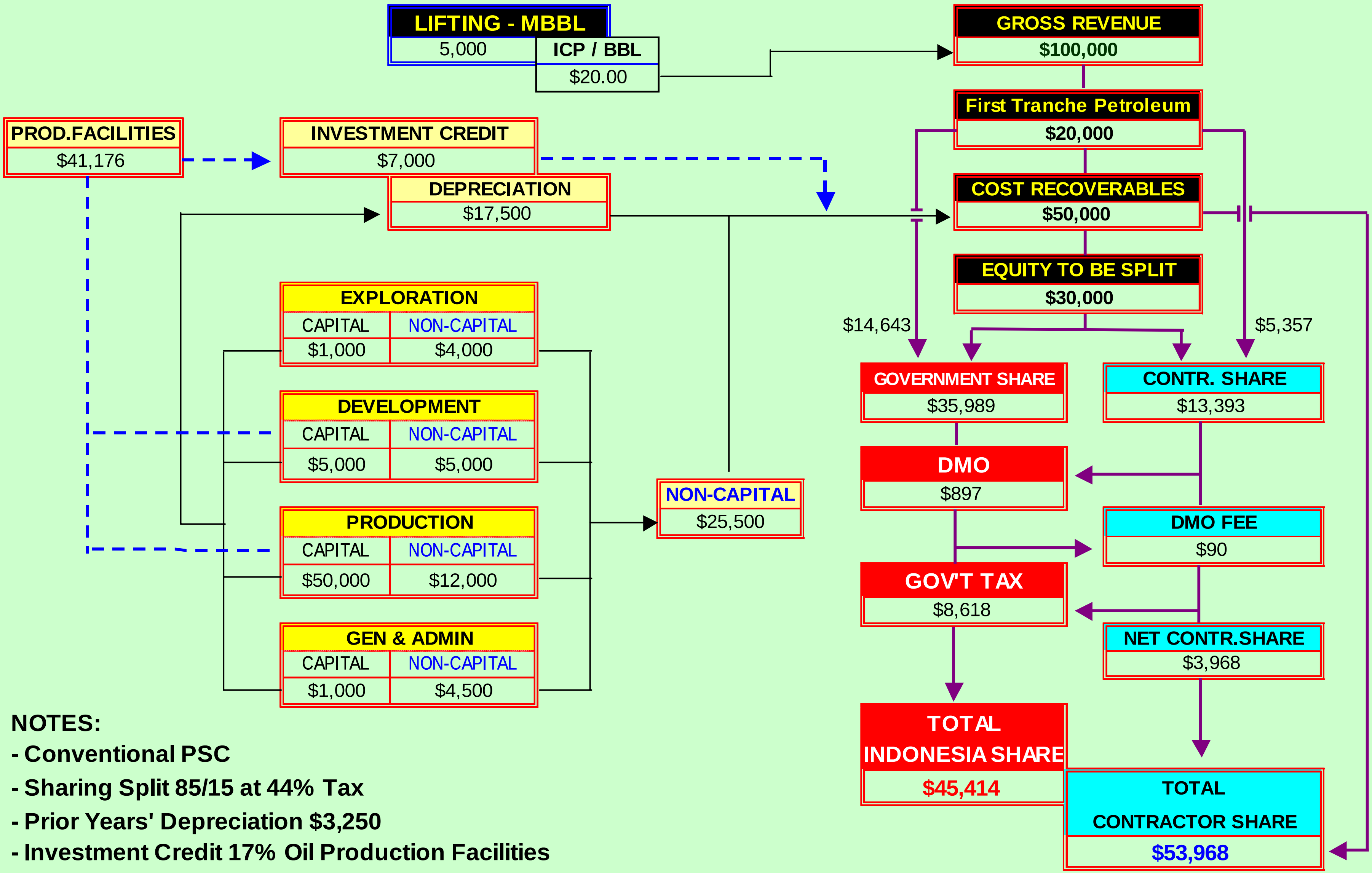
Govt. Take = Govt. Share + DMO + Tax

(*) investment credit is based on tangible capital.

BASIC CONCEPT



SUMMARY SHARING MECHANISM



NOTES:

- Conventional PSC
- Sharing Split 85/15 at 44% Tax
- Prior Years' Depreciation $3,250
- Investment Credit 17% Oil Production Facilities


THANK YOU..