



MPRL E&P Group of Companies

Build through Excellence ■ Lead with Integrity

Official Press Release

Q. What is the primary purpose of this press release?

A. The primary purpose of this press release is to provide all MPRL E&P staff internally, and to some organizations externally, with accurate information about the recent accusations made by some media representatives and outfits citing that MPRL E&P and some of the companies in the Group are conducting business in an illegitimate manner, and attempting to avoid paying taxes through the establishment of foreign offshore companies.

Q. Why do individuals/corporations register their companies overseas?

A. There are many individuals and corporations that set up companies overseas outside of their respective country of residence. This practice is often referred to as establishing an *offshore company*. There are various reasons why individuals may decide to establish an offshore company. The negative side of this practice (which also aligns with common perception) is undertaken in order to perhaps achieve the following:

- Avoid paying taxes
- Launder money
- Undertake criminal business (eg – illicit drugs, arms/weapons trading, etc)

At the same time, it is also worth noting that there are also many world class companies and corporations that have established offshore companies that are independent entities (sometimes also called Special Purposes Vehicles, or SPVs) in countries such as the British Virgin Islands (BVI), Jersey, Cayman Islands, Marshall Islands, Singapore and Hong Kong to conduct their businesses in developing countries such as Myanmar where there are sovereign or political risk. For example, Myanmar has had a history of nationalization of private businesses.

By establishing an offshore company or SPV, the SPV may still be wholly owned by a parent company. However, such an independent entity, from a legal point of view, would limit or completely remove any liability from the parent company in case of materialization of a political risk. Most international oil companies currently operating in Myanmar, including western majors and independents, are in fact using independent entities or SPV's to conduct business in the country oppose to conducting business directly through their parent company.



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Q. Why is MPRL E&P a foreign registered company?

- A. From 1995 until recently, Myanmar has been under sanctions from the United States and almost all western European countries. Such sanctions strictly prohibit Myanmar companies and individuals from partnering and conducting business with western companies. This same restriction prohibited a Myanmar company to become a joint venture partner (JVP) concerning the Mann Field Project since at the time, the main JVP was Baker Hughes Solutions, which happened to be a US company.

MPRL E&P was registered in the BVI with the sole intent and purpose to operate as a legitimate foreign registered company in order to become a JVP in the Mann Field Project and legally conduct business. It is also worth noting that none of the MPRL E&P Group of Companies nor any of the beneficial owners have ever been placed on the United States, Department of Treasury Sanction List (OFAC list). Thus, incorporating the companies outside of Myanmar in order to become a JVP either in the Mann Field Project or to be service providers in the oil & gas industry, did not breach the United States Government sanction law. If it did, criminal action could be taken by the United States Government.

In order to conduct business, it is also necessary to utilize well established international banking institutions. At the time, on account of sanctions and also because of the sanction risks, many international banks refused to do business with Myanmar companies and at one point, even refused to support any type of business in Myanmar. Thus, in order to conduct legitimate business especially in the oil & gas sector in Myanmar, and to leverage international banking institutions, MPRL E&P and its affiliate companies in the Group were established as foreign entities in the BVI.

Q. How does MPRL E&P Group of Companies conduct business?

- A. MPRL E&P Group of Companies conduct its business legally, professionally and ethically to the highest standards in strict conformity to all applicable laws, rules and regulations. MPRL E&P's accounts are maintained as per the norms of standard accounting procedures prevailing in both Myanmar and Singapore. A third party financial audit is annually conducted to provide a professional opinion and assurances on whether the companies' financial statements are maintained fairly and accurately. The purpose of an audit is to provide an objective independent examination of the financial statements, which increases the value and credibility of the financial statements produced by a company.



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MPRL E&P accounts are annually audited by external auditors as well as Myanmar government authorities. For further assurances, Singapore-based audit companies (which have some of the highest standards of accounting and auditing practices in the Southeast Asian region) also conduct an audit of all MPRL E&P accounts on an annual basis. MPRL E&P has always successfully passed all external audit exercises of our accounts.

It is also worth noting that our current joint venture partners have all undertaken their own independent due diligence reviews of MPRL E&P corporate governance and audited financial accounts prior to entering into a partnership with MPRL E&P. These companies include TOTAL, Woodside, BG, and Eni.

Q. Why have the shareholders and owners of MPRL E&P Group of Companies not publically announced and declared such ownership?

A. Our Chief Executive, U Moe Myint, has time and again openly indicated his pride in MPRL E&P Group of Companies as being a group of oil & gas sector companies owned by a Myanmar national as well as led and run mainly by Myanmar staff in key senior management positions. Furthermore, MPRL E&P Group of Companies are private companies that undertakes declaration requirements as per existing laws and regulations. It is worth noting that there are no laws that require private companies to openly and publicly declare shareholders or ultimate beneficiaries in Myanmar.

Q. What will the MPRL E&P Group of Companies do now?

A. The MPRL E&P Group of Companies have always conducted business legally, legitimately and ethically in strict conformity to existing laws and regulations and will continue to conduct business as usual. If and when there is a legal requirement to declare the companies' ultimate benefactors, then the companies will most certainly abide by the law.
