



Frequently Asked Questions

1. What is happening?

- Chrysaor, an independent UK oil & gas company, is buying a package of producing assets in the North Sea from Shell. The package is a mix of operated and non-operated assets, and produced over 115,000 barrels of oil equivalent per day (“boed”) in 2016. As a result of this transaction Chrysaor will become a leading UK exploration & production (E&P) company with significant plans for growth and development. It will be the largest independent E&P in the North Sea.

2. What is Chrysaor?

- Chrysaor is a private company. Its current management team established it in 2007 with the aim of building it into a large-scale oil & gas (E&P) company focused on the unique opportunities provided by the North Sea. The Chrysaor management team (and its financial backers, Harbour and EIG) see the North Sea as an attractive environment with considerable overlooked potential for independent and innovative operators.

3. What is Chrysaor’s Vision?

- Chrysaor’s vision is to acquire high quality assets in the North Sea supported by a strong regional team and to use the team and the initial investment as a platform for future growth. Chrysaor’s immediate priority is the successful completion of the current transaction, and the transition of the assets to Chrysaor’s ownership and control. The company will then look to follow-on transactions to enhance the portfolio and bring added longevity and development opportunities.
- Chrysaor’s plans include a significant reinvestment in the assets being acquired and there are a set of early opportunities to boost investment levels and maximise economic recovery. Chrysaor will aim to extend the production life of the assets in various ways, including: enhanced recovery techniques, in-fill exploration on and around the acquired acreage, fallow field development, and bolt-on acquisitions. All of these present opportunities for production growth which will be highly material, and therefore attractive, to Chrysaor.

4. How can Chrysaor take on such a large portfolio?

- Chrysaor already has a strong experienced senior team. In addition to the oil & gas assets, Chrysaor will transfer from Shell an outstanding team of engineers and managers who presently run the assets. Chrysaor has a highly experienced set of non-executive directors joining the Board and the necessary financial resources from its investors Harbour Energy and EIG. Chrysaor will go through
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the formal regulatory approval process and will work hard to ensure that all partners and relevant stakeholders are satisfied with Chrysaor's capabilities.

5. What are the oil and gas assets being acquired?

- Chrysaor is acquiring a high quality package of assets located offshore in the UK's Central and Northern North Sea and in the West of Shetlands. The package consists of Shell's interests in Buzzard, Beryl, Bressay, Elgin-Franklin, J Block, the Greater Armada cluster, Everest, Lomond and Erskine, plus a 10% stake in Schiehallion. Production averaged over 115,000 boed in 2016 and the deal is expected to add proven and probable (2P) reserves of around 350 million boe to Chrysaor's existing reserves base. Unit operating costs across the acquired portfolio will be under \$15 per barrel.

6. How much is the deal worth?

- Chrysaor will pay Shell a price of \$3.0 billion for around 350 mmoeb of 2P reserves. This equates to an acquisition price of around US\$8.50/bbl. In addition, Shell has undertaken to contribute a fixed \$1.0 billion towards the eventual decommissioning costs on the portfolio as a whole. There are no material decommissioning costs expected in the near term with cessation of production on some assets forecast to be more than 20 years into the future.

7. When will the deal be completed and how will transition occur?

- The deal is expected to complete during the second half of 2017. Consequently, there will be no immediate changes and details of the transition – to occur on completion - will be disclosed as the deal progresses.

8. How is it being funded?

- The deal is being funded by an investment of up to \$1billion from Harbour Energy, an investment vehicle of EIG, as well as from other funds managed by EIG, junior debt financing from Shell, and a Reserves Based Loan of up to \$1.5 billion will be provided by a syndicate of leading international banks with considerable North Sea experience. The balance will be provided by a completion adjustment reflecting cash flows generated between the effective date of 1 July 2016 and closing.

9. Why is Chrysaor buying the assets?

- Chrysaor strongly believes that the North Sea presents an attractive opportunity to build a large scale and independent full-cycle exploration and production business. The North Sea basin is roughly half way through its productive life. This is typically a point where a new generation of operators steps in to maximise a basin's total potential, bringing fresh capital, new strategic priorities and new techniques. The package Chrysaor has agreed to buy from Shell represents an ideal set of assets upon which to build such a company and to help realise the North Sea's potential.
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10. How will Chrysaor develop the assets?

- Chrysaor will aim to extend the production life of the assets in various ways, including: enhanced recovery techniques, in-fill exploration on and around the acquired acreage, fallow field development, and bolt-on acquisitions. For example Chrysaor plans to withdraw the cessation of production notification at the Armada hub, instead investing to extend the life of the hub. All of these present opportunities for production growth which will be highly material, and therefore attractive, to Chrysaor.

11. What will happen to current Shell employees?

- Shell will now enter the appropriate consultation process with all affected employees. This will conclude before the transaction completes and before the assets are transferred to Chrysaor's control. Current employees will transfer, on completion, under the TUPE rule.
- Chrysaor regards the workforce that will join the company as a materially significant asset, which is critical to its plans for investment, development and above all, growth. It has no plans for workforce reductions on taking control of the assets.

12. What safety commitments is Chrysaor making?

- HSE is central to our core values and is prominent in our Business Principles. Chrysaor has implemented a systematic approach to the management of occupational, environmental and community risk. Chrysaor employs these arrangements in all its operations and will do all that is reasonably practicable to minimise risk and adverse effect. Chrysaor continually looks for ways in which it can further reduce any negative impact of its business activities.
- Chrysaor recognises the importance of regular communication with its stakeholders and the added value of listening and responding honestly and responsibly. Chrysaor encourages employees and stakeholders to immediately report to management any aspect of the Company's business or operations which is considered to actually or potentially not meet the high standards set out within our Values and Business Principles.

13. Who are Harbour Energy and EIG?

- Harbour Energy is an energy investment vehicle formed by EIG and the Noble Group to pursue control and near control investments in high-quality upstream energy assets globally. Harbour Energy is externally managed by EIG. EIG specializes in private investments in energy and energy-related infrastructure on a global basis and had \$14.3 billion under management as of September 30, 2016. During its 34-year history, EIG has invested \$23 billion in the sector through over 310 projects or companies in 36 countries on six continents.

14. How will this deal benefit the wider North Sea community?

- The energy industry in North East Scotland has endured a difficult period since the oil price downturn in late 2014. However, average operating costs have now been dramatically and sustainably reduced. The Chrysaor / Shell deal proves that substantial areas of the basin are again attractive and have a viable medium to
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long-term future. Chrysaor is committed to a growth strategy in the North Sea, a testament not only to the potential that remains on the UKCS but also to the skills and experience built up in Scotland's energy industry over the past 40 years.

- Chrysaor's plans include a significant reinvestment in the assets being acquired and there are a set of early opportunities to boost investment levels and maximise economic recovery. Chrysaor will aim to extend the production life of the assets in various ways, including: enhanced recovery techniques, in-fill exploration on and around the acquired acreage, fallow field development, and bolt-on acquisitions. All of these present opportunities for production growth which will be highly material, and therefore attractive, to Chrysaor.
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