



Canada
HOC



UAE
Abu Dhabi

UK
Dana

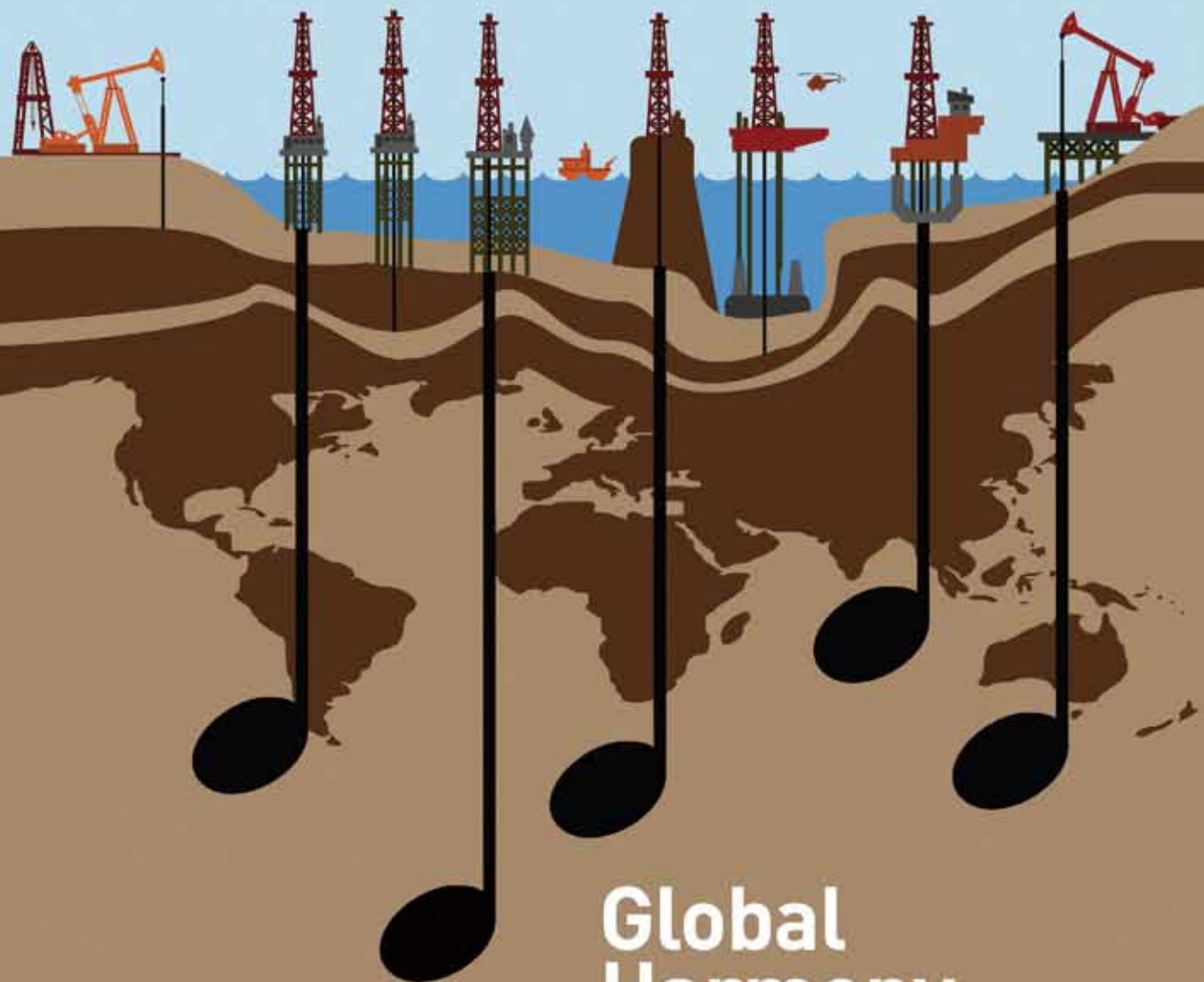
Vietnam
Block 15-1



Korea
East Sea Block6-1



USA
ANKOR

Peru
SAVIA-PeruKazakhstan
Block ADA

Global Harmony, KNOC

Growing as a global oil company,
KNOOC creates harmony on the world stage.



**Korea
National Oil Corporation**



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KNOC News Letter

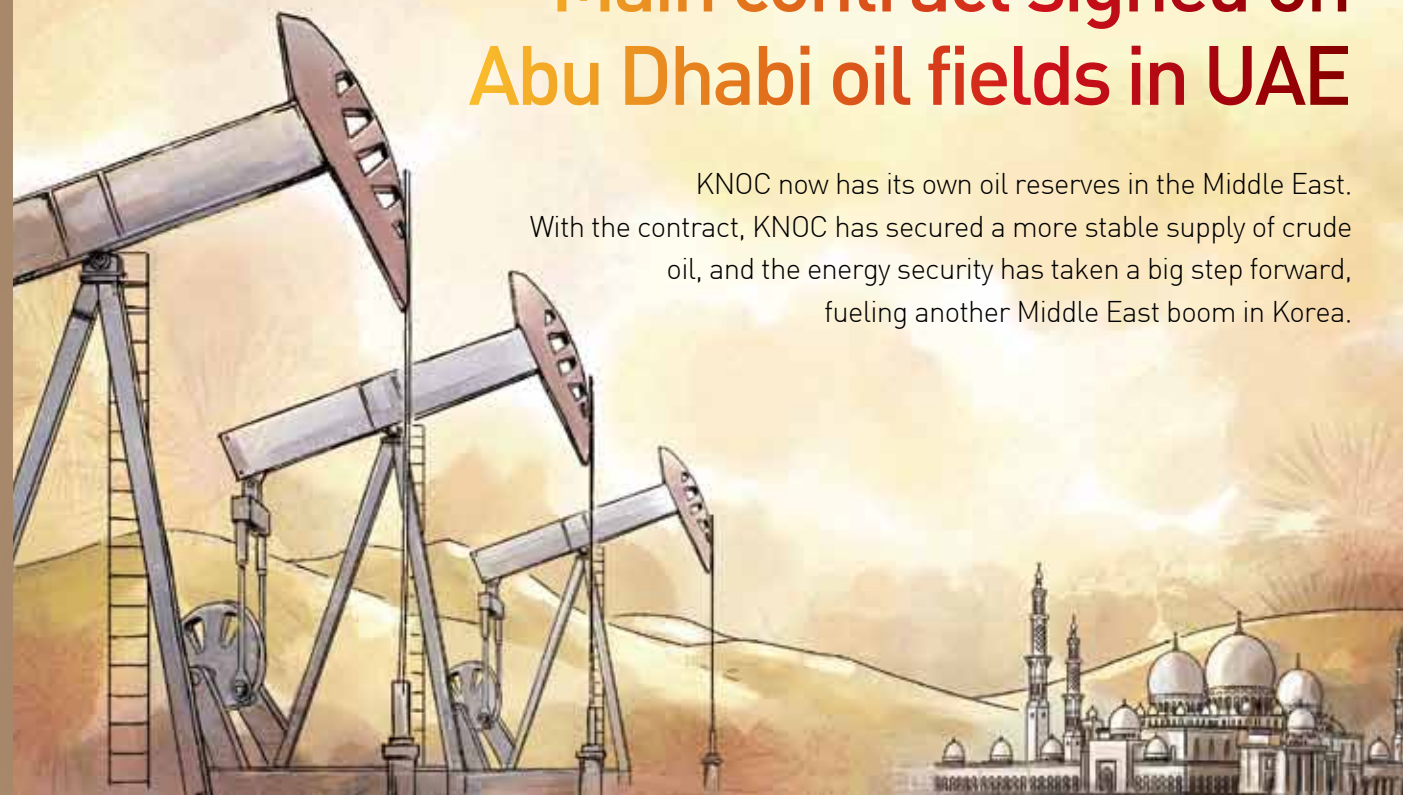
GREAT MOVE, GREAT KNOCK

vol. 09



Main contract signed on Abu Dhabi oil fields in UAE

KNOC now has its own oil reserves in the Middle East. With the contract, KNOC has secured a more stable supply of crude oil, and the energy security has taken a big step forward, fueling another Middle East boom in Korea.



Historic Entry into Middle Eastern Hub

Adding the third largest daily oil production capacity in KNOC's history

KNOC, which had formed a consortium with GS Energy, signed a contract with Abu Dhabi National Oil Company (ADNOC) for the development of three undeveloped oil fields in Abu Dhabi on March 5.

The agreement was signed by KNOC CEO Young-Won Kang, GS Chairman Dong-Su Hur and ADNOC Director General H.E. Abdulla Nasser Al Suwaidi in the presence of high profile dignitaries from both countries, including Minister of Knowledge Economy Seok-Woo Hong, Chairman of the Presidential Council for Future and Vision Seung-Jun Kwak and Supreme Petroleum Council (SPC) Secretary General Jauan Salem Al Dhaheri.

By concluding this main contract, following the Head of Terms (HOT) agreement signed in March 2011, KNOC has gained access to the world's sixth largest oil exporter.

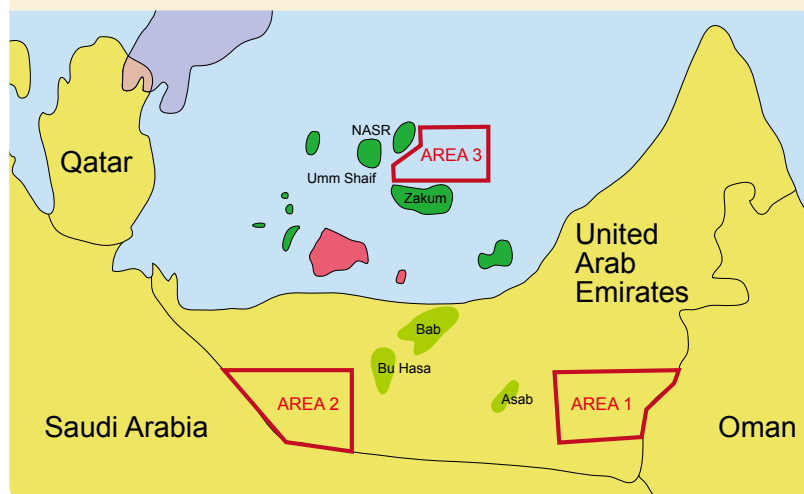
Celebrating the event, Korean President Myung-Bak Lee stated, "We now have our own oil reserves in the Middle East. With the contract, we have secured a more stable supply of crude oil, and our energy security has taken a big step forward, fueling another Middle East boom in Korea."

Under the 30-year agreement, KNOC is entitled to a 40 percent stake in two on-shore and one off-shore blocks

in the United Arab Emirates. The two parties will jointly operate these fields as partners. These undeveloped oil fields have little exploration risk as they had been verified to contain approximately 570 million barrels of undeveloped oil through drilling and technical assessment by KNOC in cooperation with global oilfield service companies.

Under the agreement, the three oil fields will produce up to 43,000 barrels of crude oil per day (bpd), beginning 2014 at the earliest. Considering its 40% stake, KNOC will bring home roughly 17,000 bpd, increasing KNOC's daily production volume by 7.7% from 219,000 barrels (As of DEC, 2011). This figure is significant to KNOC because the contract renders 17,000 bpd of crude oil production capacity to the company--third largest in its history. KNOC has already secured 48,000 bpd with the acquisition of U.K.'s Dana Petroleum in 2010 and 38,000 bpd following the acquisition of Canada's Harvest in 2009. This contract is all the more significant to the nation as it is the concessionary contract as a result of summit diplomacy, not just acquisition of assets or shares in the blocks.

In cooperation with ADNOC, KNOC will commence the oil field development project from AREA 1, the on-shore block with easy access, with the aim of beginning oil production in 2014. KNOC plans to permanently dispatch a task force team at the block to facilitate the project. KNOC CEO Kang said, "We will throw all our resources into this project to make it one of the most successful in our history, as we have made a historic step into the region. This project will set the groundwork for us to attain our goal of becoming one of the global top 50 oil companies."



Meaning of the UAE contract to KNOC and Korea

KNOC has secured a deal to participate in an oil development project in Abu Dhabi. The deal is an historic moment in the forty-year history of Korea's tireless exploration in the Middle East—home to 54% (752.5 billion barrels) of the world's entire oil bed (1,383.2 billion barrels). Its political stability, affluent liquidity and business-friendly market environment makes the country an attractive investment destination, one that offers numerous business opportunities. However, it is a very difficult market to enter due to the various barriers. With a relatively short 35 year history in resource development, Korea was faced an enormous challenge. Undaunted by this, Korea has been building a trust-based relationship with the nation through summit diplomacy. This was achieved by focusing on creating a mutually beneficial cooperative partnership with the UAE in energy and national development, not just oil development projects. As a result, the UAE swung its doors wide open to its 97.8 billion barrels of oil bed.

Furthermore, this agreement with the UAE is significant in that it is Korea's first advance into the oil fields of Abu Dhabi, serving to further the 100-year strategic partnership between the two countries following the UAE nuclear power plant-building project won by Korea in December 2009. The two parties will expand the cooperative and trust-based relationship in the energy business into other areas, such as national defense, education and culture.

In particular, the affluent oil money of the Middle East has conquered the financial markets and flowed into various industries, including construction and the consumer markets, as well as medical and other service-based industries. The forward- and backward- linkage effect of oil development in the Middle East will feed Korean industries by providing promising emerging markets. At the moment, companies from the two countries cooperating in ICT (Information Communication Technology), new and renewable energy and semiconductor businesses, and are seeing more mutually beneficial opportunities in smart grid and IT medical service areas. As Korea has set its vision on low-carbon green growth and the UAE is preparing for

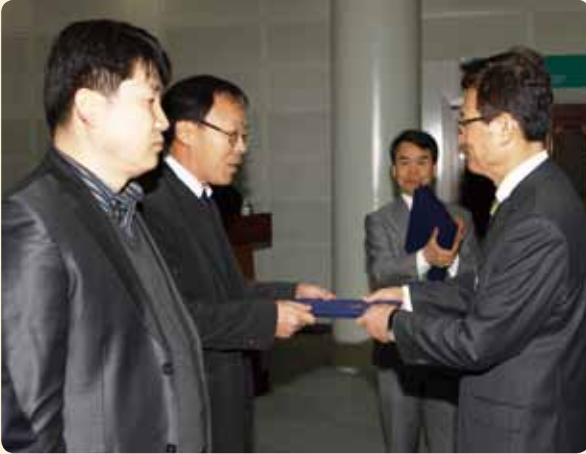
the post-oil era, this bilateral cooperative partnership has potential synergies in the future.

▲ KNOC sets the groundwork to becoming a leading oil company

The contract with the UAE is further significant in that it allows KNOC to move further towards its goal of becoming a global leading oil company. While the contract has bolstered the nation's oil supply security, KNOC's competency has been proven in the global market. It also creates further opportunity as it means that KNOC has an advantageous position in bids for large-scale oil production projects currently in progress. KNOC accomplished the splendid feat of winning the contract in only fourth year since the new vision "Sizeable Growth" was set in 2008.

Still, we have a long way to go before emerging as one of the world's major oil companies. That is why we have to use this agreement to move forward, to learn production techniques and operation skills through co-operation with ADNOC, and to upgrade our oil development and operation capabilities through active technology and human resource exchange. KNOC has entered the scene and is now at the center of global major oil developers. Equipped with the corporate culture of an enterprising spirit and determination that had turned the impossible into success, KNOC will gain a worldwide reputation as an oil development powerhouse.





CEO Kang propagates corporate values on 33rd anniversary

A ceremony celebrating the 33rd anniversary of KNOC was held at the auditorium of its main building on March 3. At the event, CEO Kang asked the company to spare no effort in realizing the final goal of the "Great KNOC 3020" strategy so as to grow as a global leading oil company. He reiterated the determination to attain the strategy, that of securing 2 billion barrels of oil reserves with 300,000 bpd of oil production. In order to raise the nation's oil and gas self-sufficiency rate to 20%, he reiterated the significance of the 2012 business plan: to secure a foothold for organic growth by improving the exploration success rate; to grow as a leading global oil company through strategic post-

merger integration success; to lead the development of the nation's oil industry through enhanced oil business competency; and to follow the government's debt restructuring plan. KNOC holds the year opening ceremony every year in January and monthly meeting every month. At the 2012 opening ceremony and February monthly meeting, CEO Kang also asked the company to channel enterprise resources into the final lap of achieving the strategies. To that effect, he reiterated that we have to secure new reserves and oil production capacity, stabilize the financial structure and upgrade management system to a global-leading level, so as to lay the foundation for organic growth.



GLOBAL STEERING COMMITTEE

The 2012 Global Steering Committee was held at the headquarters on January 27 in order to build an integrated management framework with overseas subsidiaries and to amplify operating synergies. 15 executives from overseas subsidiaries, including Dana from the UK, HOC from Canada and Ankor from the US, attended the meeting to discuss and give presentations on the subject of "Subsidiaries' plan to participate in KNOC's M&As and the acquisition of shares in oil production assets in order to attain the GREAT KNOC 3020 strategy," "Joint purchase of drilling equipment," "Global human resources management plan," and how to build a global management framework.

At the meeting, CEO Kang asked for the organic cooperation of KNOC headquarters and subsidiaries in building the Post-2020 strategy proposals in order to become a respected world-class national oil company. Marking the third such meeting following those in May and October 2011, the KNOC Global Steering Committee has established and set a model for global subsidiary executive meetings for the first time as a state-owned company, serving to spur KNOC's endeavors to become a leading global company.



Overseas branch representatives strategic meeting

KNOC convened a strategic meeting for overseas branch representatives at its head office from January 26 to 27. Present at the meeting, CEO Kang and 47 representatives from 17 overseas branches and subsidiaries in 14 countries around the world made presentations and discussions on the current issues of each branch. At the same time, participants discussed E&P long-term strategies as well as ways for synergy among overseas subsidiaries. In his keynote speech, CEO Kang asked for a flexible response to the ever-changing business environment, and encouraged all branches to do their part in achieving the GREAT KNOC 3020 strategy and a national oil and gas self-sufficiency rate of 20% this year.



Selling part of equity in Ankor oil production asset

KNOC transferred a 29% share of the Ankor oil producing field to a private equity fund, Korea Investment Management Consortium, for US\$ 308 million. KNOC had acquired the share from US Tailor in 2008. The deal will provide the Korean private sector with an opportunity to participate in overseas oil development projects, promote nationwide oil development investment and distribute the fruits of resource development to the nation. Five years after the "Korea Vietnam 15-1 Oil Development Funds No. 1," Korean private investors are getting another chance to access the public fund for oil field development. The Ankor oil producing field is located in the Mexico Bay of the US, where KNOC claims an 80% and Samsung Corporation holds a 20% stake. The private funds raised from this deal will be used to purchase new oil production assets.

KNOC participants in purchasing El Paso assets

KNOC has joined the consortium of US-based Apollo, which is buying oil and gas field assets from US-based oil developer El Paso Corporation. Administered by the Apollo Global Management, this consortium, consisting of Riverstone Holdings and Access Industries, agreed to purchase El Paso's exploration-and-production business for \$7.15 billion on February 24, 2012.

El Paso Corporation holds several exploration-and-production assets outside the US in Brazil, Egypt and other regions, as well as several prospective non-conventional oil and gas fields across the US.

KNOC finances 1\$ billion in global bonds

Following its successful issuance of \$1 billion-bond, which was selected the "2011 Best Investment Grade Bond" by Asiamoney in October 2011, KNOC successfully issued five-year global bonds worth \$1 billion on March 27, 2012.

Taking timely notice of rosy signals of recovery in the international financial market, KNOC finished the issuance of five-year bonds at a yield of 3.189%—only the US five-year treasury bond coupon rate plus 2.1%. KNOC rigorously reviewed and checked all possible variables regarding the conditions of the bond issuance and concluded the optimal proposal, gaining momentum from the recent trend of lower spread being added to Korean global bonds in the market. While inviting many new investors from Asia, the US and Europe, KNOC strived to attract affluent investors from the Middle East. As a result, it was able to sell bonds at a record low new issue premium of minus 10bp. The \$1 billion raised from the bond sale will fund KNOC's overseas energy projects.

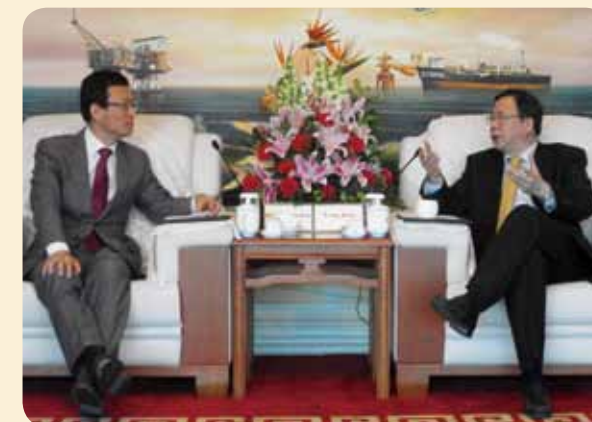


Before this, KNOC had raised 300 million Swiss Francs (approximately KRW 367.2 billion) on February 9, 2012. The bond coupon rate was 1.875%—the lowest of all Asian five-year bonds ever issued in the Swiss market. The debt sales marks the fourth year in a row since 2009 that KNOC has issued bonds overseas, helping KNOC secure stable foreign currency liquidity in order to finance its overseas oil developing projects. KNOC expects the back-to-back success of global bond sales to further bolster its reputation as Korea's leading bond seller.



Meeting with China's state oil corporations

CEO Kang met with the chairmen of China's state owned oil corporations, including Mr. Yang Hua of CNOOC, Mr. Jiang Jie Min of CNPC, and Mr. Fu Chengyu of SINOPEC, from February 15 to 17. During these meetings, the CEOs shared their views about projects currently in progress as well as discussed ways for cooperation in exploration & production and non-conventional energy businesses, and possible long-term bilateral oil development partnerships in sought-after new business opportunities.



Visit to Japanese oil corporations



Visiting Japan from January 4 to 5, CEO Kang met with the CEOs of Mitsubishi and JAPEX, and the management of Mitsui

and JOGMEC. On the first day of the visit, he met Mr. Jun Yanai, CEO of Mitsubishi and Mr. Osamu Watanabe, CEO of JAPEX, to learn about the recent trend of overseas E&P projects in Japan, as well as discussing new business opportunities for bilateral partnerships.

On the second day of the visit, CEO Kang met the management of Mitsui, JOGMEC President Hirobumi Kawano and INPEX President & CEO Toshiaki Kitamura, to share issues regarding bilateral partnerships, recent trends and overseas E&P projects currently being conducted by these companies. Under the agreement that bilateral partnerships are needed for mutual development, the attendants discussed ways to further strengthen partnerships in regards to international joint oil stockpiling, trading, and the E&P business.

Meeting with Thailand's Ministry of Energy Delegation

A delegation from the Department of Energy Business of the Ministry of Energy (MOEN) of Thailand paid a visit to KNOC on February 6. In recognition of the urgency of oil stockpiling for Thailand's energy security, 13 working-level executives of MOEN came to Korea to learn about the nation's stockpiling operation skills and to discuss ways for a bilateral long-term stockpiling partnership. The two countries have maintained close cooperation in various oil development projects since CEO meetings between KNOC and Thai state-owned oil company PTT in 2010 and the subsequent signing of an MOU between KNOC and PTT EP. This occasion is expected to lay the groundwork for closer bilateral partnership in oil stockpiling.





2012 oil stockpiling subsidiary strategic meeting

KNOC held the strategic meeting, inviting the heads and directors of oil stockpiling subsidiaries, to discuss 2012 plans for the development of oil stockpiling subsidiaries on January 30. The CEOs of nine stockpiling subsidiaries and directors of stockpiling branches gave presentations on their respective missions and performances before discussing future plans.

Minister of Knowledge Economy visits Yongin stockpile branch



The Korean minister of Knowledge Economy, Seok-Woo Hong, paid a visit to KNOC's Yongin branch on February 23 to check the current status of the strategic oil stockpile. The Yongin stockpile branch has a storage capacity of 2.5 million barrels, with 11 tanks (6 tanks with a combined capacity of 1.15 million barrels of gasoline and 5 tanks with a combined capacity of 1.35 million barrels of diesel). With its maximum output of 5,000 barrels per hour, the branch serves a pivotal role in oil supply to the Metropolitan area. Minister Hong asked for the safety and security of the stockpile branch, saying "Strategic oil stockpiling is a critical factor at a time of recent skyrocketing oil prices and political sanctions on Iran."

Economical gas stations in successful operation



Following the successful launch of the first economical gas station in December 29, 2011, 390 such stations are currently in operation. In cooperation with the NACF(National Agricultural Cooperative Federation) and other public organizations, KNOC had selected these stations to supply gas and oil products at a discount. Since then, KNOC has been offering full support for successful operation of these economical gas stations. On February 9, the first highway economical gas station opened business. The number of such highway economical gas stations will increase to 40 within the first half of the year, and are highly expected to ease the burden on drivers.

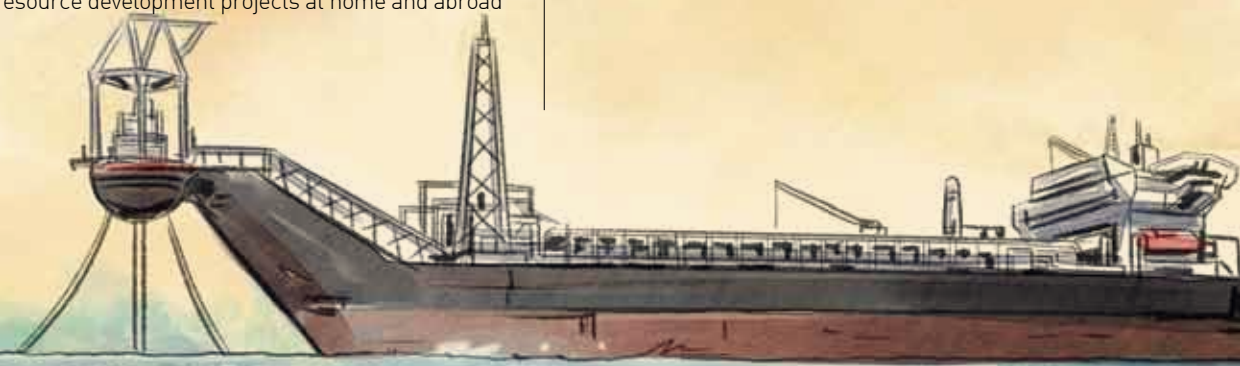
Explorers of natural resources embark an expedition



Co-sponsored by the Ministry of Knowledge Economy, KNOC, Korea Gas Corporation (KOGAS), Korea Resources Corporation (KORES), and the Energy & Mineral Resources Development Association of Korea (EMRD), the Korea "Expedition of Resources Domain" was launched on March 14. Under the theme "Korea's resources and territories around the world," the expedition will closely investigate natural resource development projects at home and abroad.

in order to better understand the importance of these projects. The Minister of Knowledge Economy, Seok-Woo Hong, reiterated that this opportunity will help members to better understand the importance of resource development and to clearly promote this to the public.

Of the total 45 members, 21 has completed the visits to the DongHae-1 in East Sea gas field and 11-2 block in Vietnam.



KNOC's promising subsidiary -HOC

Under the strategic goal of GREAT KNOC 3020, KNOC is striving to secure 300,000 bpd and 2 billion barrels of reserve by 2012. And at the forefront of such endeavors are our subsidiaries in Canada—Harvest Operation Corp.(HOC) and North Atlantic Refinery Ltd. (NARL).

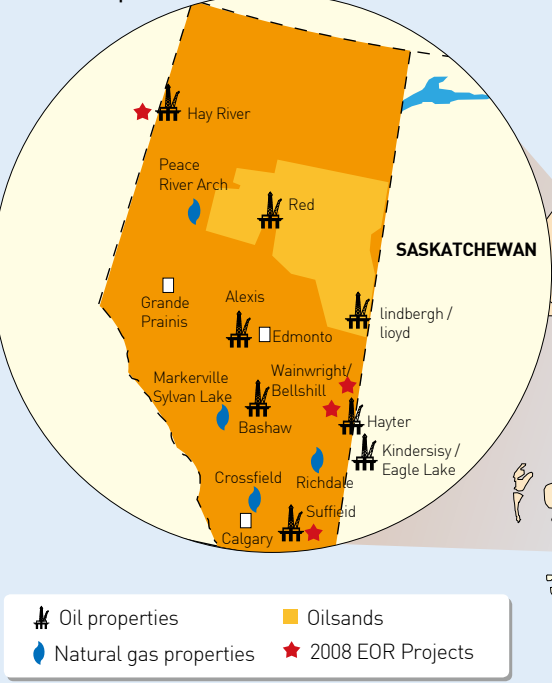
Asset Acquisition from Harvest

- **Project Overview**
 - Location: on-shore in Canada (Alberta, British Columbia, Saskatchewan)
 - Ownership: KNOC 100%
- **Project Profile**
 - Oil reserves Production volume (as of end of Dec. 2011)

		Total (=KNOC's share)
Reserves	Ultimate recoverable reserves (as of Jan. 1, 2011/2P)	252.1 million BOE (Crude oil 170.9MMbbl, natural gas 487.2Bcf)
	Residual recoverable resources (as of Dec. 31, 2011)	246.3 million BOE (Crude oil 165.6MMbbl, natural gas 484.5Bcf)
Cumulative production (Since Jan. 1, 2011)		20.9 million BOE (Crude oil 14.1MMbbl, natural gas 40.8 Bcf)
Daily production (as of Dec. 31, 2011)		60,042BOE (Crude oil 40,379B/D, natural gas 117,978mcf/d)

After acquiring Harvest Energy of Canada in December 2009, KNOC renamed it HOC. This acquisition had laid the foundation for KNOC to enter the North American market as the Canadian company was at the center of the region's oil development industry, boasting a well-balanced business portfolio of upstream and downstream assets as well as refinery facilities. In 2011, in particular, the addition of HOC's assets following the acquisition of Hunt Oil Company of Canada secured KNOC a stable asset base in the North American region. As a result, it contributed 29.5% of KNOC's total production as of the end of 2011, and ensuring an advantageous position in the local market. Churning out 60,000 bpd of oil and gas from its vast 250 million barrel reserve, HOC significantly contributes to KNOC's strategic goal. HOC also holds shares in the Black Gold project, which is a technological advantage for KNOC in its attempts to advance into oil sand development projects. Having completed site formation, the Black Gold project is now moving onto the production well drilling stage and site construction stages, with the project scheduled to be completed by the end of 2013.

■ Block map



At the same time, HOC is making every effort to realize both organic and inorganic growth, channeling its resources into enhancing technology—a prerequisite for the organic growth of its parent company. On the strength of synergies from its cooperation with Calgary's GTRC and its own endeavors to explore new opportunities, HOC was able to realize a significant 80% success rate in its exploration projects for 2011, and adding 25 million barrels of oil equivalent to its reserves. At the same time, HOC is striving to increase production and reserve volumes through new, multi-stage fracturing technology.

Another important aspect is our subsidiary NARL, which looks after the downstream part of HOC's upstream business. When the current debottleneck project at the oil refinery factory is complete, we expect synergy between the up- and down-stream assets of the two subsidiaries.

When these subsidiaries were first acquired, cultural differences often created challenges. However, we have taken steps to create a successful PMI process, including building solidarity with local teams.

As the largest of the subsidiaries of the state-owned oil company KNOC, HOC plays a pivotal role in enhancing national energy security. At the same time, NARL works to strengthen KNOC's capacity in downstream business. Backed by such capable subsidiaries, KNOC is one step closer to realizing its goal of GREAT KNOC 3020, that of becoming a respected world-class national oil company.

Black Gold Oil Sand Project

- **Project Overview**
 - Location: 140 km southeast of Fort McMurray City, within Athabasca Oil Sands, Alberta, Canada
 - Size: 39km²(9,600 acre)
 - Ownership: KNOC (100%, operator)
 - Period: 15 years from acquisition (extendable when production begins)

