



Note: The following press release is an English translation of the Japanese-language original

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**Sale of Oil Sands Assets of Hangingstone 3.75 Section Area
in the Province of Alberta Canada**

Japan Petroleum Exploration Co., Ltd. (JAPEX) announces that Japan Canada Oil Sands Limited (JACOS), its consolidated subsidiary, entered into an agreement with Greenfire Hangingstone Operating Corporation (hereinafter “GH”, Headquarter Alberta Canada), wholly owned subsidiary of Canadian oil sands company, Greenfire Oil and Gas Ltd. (hereinafter “GF”) on the sale of JACOS’ participating interest and related assets including wells and facilities (hereinafter “assets”) in the 3.75 Section Area (hereinafter “DEMO Area”) at the Hangingstone leases in the province of Alberta, Canada.

Since the start of the pilot production using the SAGD method (*1) in 1999, JACOS has produced a cumulative total of 35 million barrels of bitumen until the temporary suspension of production operations in the DEMO Area in 2016(*2). With a priority on ensuring successful operations at the Hangingstone Oil Sands Project (*3), and in light of the continuing severe business environment including low oil prices, in August 2017 JAPEX decided to leave the production operations suspended (*4). JACOS has now reached an agreement with GF to sell the assets in the DEMO Area to GH. The closing of the transaction is subject to approvals and consents of related stakeholders including the Government of the Province of Alberta Energy Regulator (AER).

This transaction will not affect the consolidated financial results of JAPEX for the year ended March 31, 2018. Regarding the impact on the consolidated financial results of JAPEX for the year ended March 31, 2019, JAPEX expects to post approximately US\$30 million (JPY 3.3 billion, 110¥/US\$ rate) as non-operating profit resulting from reversal of the provision for asset retirement obligations associated with the Demo Area upon the closing of the transaction.

With regard to the Hangingstone Oil Sands Project, JACOS has started production of bitumen since August 2017. As of today, the production is around 18,000 barrels per day and JACOS expects to achieve a peak rate of 20,000 barrels per day by the second half of 2018.

JAPEX, though JACOS, has been engaged in the oil sands industry for around 40 years and this transaction allows JACOS to capture the value of the remaining resources at the Demo Area while continuing to focus on operations at the Hangingstone Oil Sands Project with the pride of one of the pioneers in oil sands operations utilizing SAGD.

Note)

- *1: In SAGD, two wells with horizontal sections of between 500m and 1,000m in length are drilled with a spacing of approximately 5m between the upper and lower wells in the oil sands layer located at 300m underground. The extraction process involves heating the oil sands layer by continuously injecting high-temperature, high-pressure steam into the upper well to provide liquidity to the bitumen, which in turn flows down to the lower well and is recovered along with hot water.
- *2: Press Release by JAPEX, May 12, 2016, "Temporary Suspension of the Production Operation at the Hangingstone Demonstration Project area in the Province of Alberta, Canada
- *3 The Hangingstone Oil Sands Project is a joint project between JACOS having a participating interest of 75% and acting as the operator and NEXEN Energy ULC (a wholly owned subsidiary of CNOOC Limited) with a participating interest of 25%
- *4 Press Release by JAPEX, August 8, 2017, "Start of Production Operations in Oil Sands Project at Hangingstone in the Province of Alberta, Canada, and Decision not to Re-start SAGD Operations in the 3.75 Section Area

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