

PETROLEUM EXPLORATION AND PRODUCTION CONCESSION CONTRACT

BETWEEN

THE GOVERNMENT OF MOCAMBIQUE

AND

CNOOC HONG KONG HOLDING LIMITED

AND

EMPRESA NACIONAL DE HIDROCARBONETOS E.P.

FOR EPCC AREA S6B



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Parties

This Exploration and Production Concession Contract ("EPCC") is entered into in accordance with applicable law on the 14th day of 10 2025:

THE GOVERNMENT OF THE REPUBLIC OF MOZAMBIQUE, hereinafter referred to as "the Government" and herein represented by the Minister of Mineral Resources and Energy; and

CNOOC HONG KONG HOLDING LIMITED, a company established in accordance with the laws of Special Administrative Region of Hong Kong of the People's Republic of China, with registered office in Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong, hereinafter referred to as "CNOOC" and herein represented by its appointed representative; and

Empresa Nacional de Hidrocarbonetos. E.P., a company established in accordance with the laws of the Republic of Mozambique, hereinafter referred to as "ENH" and herein represented by its Chairman.

CNOOC and ENH shall hereinafter be referred to as the "Concessionaires" or individually as "the Concessionaire" as appropriate. The Concessionaires and the Government shall hereinafter collectively be referred to as the "Parties" and individually as "Party".

Preamble

WHEREAS, applicable law provides that all Petroleum resources in the soil and the subsoil of the land territory, in the seabed of internal waters and the territorial sea, in the exclusive economic zone and on the continental shelf of Mozambique, are the property of the Republic of Mozambique;

WHEREAS, this EPCC was awarded through a competitive bidding process pursuant to applicable Petroleum law;

WHEREAS, pursuant to applicable law, Government is competent to ensure the implementation of the policy for Petroleum Operations and has for the purpose of this EPCC appointed the Ministry of Mineral Resources and Energy, hereinafter referred to as "MIREME", to carry out certain functions for and on behalf of the Government as hereafter specified;

WHEREAS, the Government desires to award to CNOOC and ENH the right to undertake Petroleum Exploration, Development and Production in certain areas subject to the jurisdiction of the Republic of Mozambique;

WHEREAS, the Concessionaires are willing, on certain terms and conditions stipulated to undertake Petroleum Exploration, Development and Production in the EPCC Area and have for such purpose technical competence and adequate financial resources; and

WHEREAS, the Petroleum Law establishes that Petroleum Exploration, Development and Production activities shall be performed pursuant to a concession contract.

NOW THEREFORE it has been concluded as follows:



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Article 1 EPCC Documents

- 1.1 The EPCC consists of this EPCC main document and the following Annexes, which form an integral part hereof:
- Annex "A" Description of the EPCC Area
 - Annex "B" Map of the EPCC Area
 - Annex "C" Accounting and Financial Procedure
 - Annex "D" Form of Bank Guarantee
 - Annex "E" Form of Parent Company Guarantee
 - Annex "F" Joint Operating Agreement
- 1.2 Subject to the conclusion of the EPCC, the Concessionaires shall submit a signed joint operating agreement in the form substantially set out in Annex "F", for which Government approval is a condition under this EPCC.
- 1.3 In the event of conflict between the provisions of the EPCC main document and its Annexes, the EPCC main document shall prevail.

Article 2 Definitions

Definitions stipulated in the applicable Petroleum Law, approved by Law no. 21/2014 of 18 August and the Petroleum Operations Regulations, approved by Decree No. 34/2015 of 31 December, apply to this EPCC unless the context otherwise provides, together with words and phrases used in this EPCC including its Annexes which shall have the following meanings:

"Permitted Assignee" means, for the purpose of this EPCC, the Government or a Mozambican Person wholly owned and controlled by the Government or ENH.

"Effective Date" means the first day of the month following the date on which the terms stipulated in Article 3.2 are satisfied.

"FOB" as defined by INCOTERMS 2020.

"Liquefied Natural Gas" or "LNG" means Natural Gas previously processed, in a liquid state at or below its boiling point at atmospheric pressure.

"Petroleum Production Tax" means the "Imposto sobre a Produção de Petróleo" as defined by applicable law.

"INP" means the National Petroleum Institute, the regulating entity responsible for administering and promoting Petroleum Operations in the Republic of Mozambique.

"Participating Interest" means the percentage interest portion, as further described in Article 3.2, held by each Concessionaire in the rights, privileges, duties and obligations derived from this EPCC and in an unincorporated joint venture established by the joint operating agreement.

"State Participating Interest" means the share of the Participating Interest owned by an entity holding such share on behalf of the State.

"MIREME" means the Ministry with authority over the Petroleum sector in the Republic of Mozambique.



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"Exclusive Petroleum Operations" mean those Petroleum Operations carried out pursuant to applicable law and this EPCC which are chargeable to the account, benefit and liability of less than all Concessionaires under this EPCC.

"Person" means any natural person or any company, association, partnership, joint venture or entity which is considered a legal entity under the laws of Mozambique or the laws of the country pursuant to which such company, association, partnership, joint venture or entity is governed.

"Expatriate Personnel" means any employee of any Concessionaire, Affiliated Company of any such Concessionaire or of any Subcontractor, provided such employee is not a National Individual and whose contract of employment provides for the payment or the reimbursement of the cost of his passage to and from the Republic of Mozambique.

"Development and Production Period" means the period granted to the Concessionaires for the conduct of Petroleum Operations under a Development Plan approved by the Government.

"Commercial Production" means Production of Petroleum and delivery of the same at the Delivery Point under a programme of Production and sale as provided for in a Development Plan as amended from time to time.

"Subcontractor" means any Person other than the Operator, retained by one or more Concessionaire to carry out any part of Petroleum Operations.

"SOFR" means the forward-looking term rate for a one-month period based on the secured overnight financing rate as administered by CME Group Benchmark Administration Limited (CBA), published on CBA webpages or by Bloomberg, one (1) business day (in accordance with the SIFMA US Holiday Schedule) prior to the commencement of such period. If the CBA has not published SOFR for a particular Day, then the most closely preceding Day's SOFR shall be used. If the SOFR rate ceases to be so published, then the Parties shall use reasonable endeavors to establish an alternate rate of interest that gives due consideration to the then prevailing market convention for determining a rate of interest; provided that, if such rate of interest shall be less than zero, then it shall be deemed to be zero for the purposes of this Agreement.

Article 3 EPCC Rights and their duration

3.1 This EPCC is a concession awarded pursuant to Petroleum Law, approved by Law No. 21/2014 of 18 August, and the Petroleum Operations Regulations issued by Decree No. 34/2015 of 31 December, which;

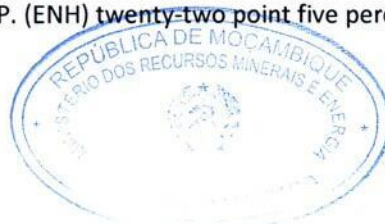
- (a) authorises the conduct of certain Petroleum Exploration, Development and Production activities in the EPCC Area as defined herein; and
- (b) confers to each Concessionaire, subject to applicable law and the terms and conditions set forth in this EPCC, an exclusive right to conduct Petroleum Operations in order to produce Petroleum from resources originating from one or more Petroleum Deposit in the subsoil within the limits of the EPCC Area.

3.2 (a) Prior to this EPCC reaching the Effective Date this EPCC is to be approved by the Council of Ministers, the appurtenant agreements to this EPCC are to be signed by each Concessionaire, and the ruling of the Administrative Tribunal has to be obtained.

(b) On the Effective Date the respective Participating Interests of:

CNOOC – seventy-seven point five percent (77,5%)

Empresa Nacional de Hidrocarbonetos, E.P. (ENH) twenty-two point five percent (22,5%)



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3.3 The rights and obligations of the Concessionaires shall commence on the Effective Date and shall subsist:

- (a) during the Exploration Period; and
- (b) subject to terms and conditions as hereinafter provided, during the period for Development and Production;

Thus, obligations of the Concessionaires accrued hereunder before the end of any relevant sub-period of an Exploration Period or a relevant period for Development and Production shall, notwithstanding that this EPCC has otherwise been cancelled subject to applicable law or the terms and conditions of this EPCC, continue to be binding on the Concessionaires for the period provided by the applicable law and for the purpose of any claim in respect thereof, the provisions of Article 26 shall continue to apply.

3.4 The first sub-period of the Exploration Period shall commence on the Effective Date. Unless the EPCC is terminated earlier in accordance with its terms, the above sub-period shall continue for a period of forty-eight (48) months.

3.5 Where the Concessionaires decide to enter into a subsequent sub-period of an Exploration Period the Concessionaires shall give notification to MIREME. The notification has to be given not later than thirty (30) days before the expiry of the first sub-period of the Exploration Period, or any subsequent sub-period, or the Exploration Period would otherwise expire.

Provided that the Concessionaires have fulfilled, or are deemed to have fulfilled, their obligations under the first and any subsequent sub-period of the Exploration Period, the Concessionaires are entitled:

- (a) at the end of the first sub-period of the Exploration Period, to a second sub-period of twenty-four (24) months; and
- (b) at the end of the second sub-period of the Exploration Period, to a third sub-period of twenty-four (24) months;
- (c) to the rights provided in Article 3.6; and
- (d) to such additional period of time that may be necessary pursuant to Article 22 on force majeure.

3.6 The rights and obligations pursuant to this EPCC shall be retained in the following situations:

- (a) Where pursuant to applicable law and this EPCC the Concessionaires have notified INP that they have made a Discovery, the rights and obligations pursuant to this EPCC shall not, in respect of the Discovery Area to which that Discovery relates, terminate provided a proposed Appraisal Programme is timely submitted to INP.
- (b) Where INP has approved an Appraisal Programme the rights and obligations pursuant to this EPCC shall not terminate in respect of the Discovery Area to which that Appraisal Programme relates provided the appraisal report for such Discovery is timely submitted to INP;
- (c) Where the Concessionaires pursuant to applicable law and this EPCC have timely submitted the appraisal report, the rights and obligations pursuant to this EPCC shall not,



terminate in respect of the Discovery Area to which that appraisal report relates provided a Declaration of Commerciality is timely submitted.

(d) Where pursuant to applicable law a Commercial Assessment Period has commenced in respect of a Discovery of non-associated Natural Gas, the rights and obligations pursuant to this EPCC shall not, in respect of the Discovery Area to which that Discovery relates, terminate so long as that Commercial Assessment Period continues.

(e) Where the Concessionaires pursuant to applicable law and this EPCC has timely submitted a Declaration of Commerciality, the rights and obligations of the Concessionaires in respect of any Development and Production Area defined therein and to which any such notice relates, shall continue until the Government's approval of the timely submitted Development Plan by the Concessionaires.

3.7 Where the rights and obligations pursuant this EPCC has been retained pursuant to paragraph 3.6 of this article and the Concessionaires have not in due time submitted the required notification, programme, report, declaration or plan in accordance with applicable law and this article, the Concessionaires shall have no further rights to the relevant part of the EPCC Area (Discovery Area(s) or Development and Production Area(s)).

3.8 The period for Development and Production shall commence with respect to each Development and Production Area on the date on which the Development Plan for that Development and Production Area has been approved in accordance with applicable law. The period for Development and Production shall, unless this EPCC is sooner terminated in accordance with its terms and applicable law, in respect of the Development and Production Area continue to subsist for period of thirty 30 years and for additional periods that may be necessary to give effect to Article 22.4.

Article 4 Work Commitment during Exploration Period

4.1 The Concessionaires shall carry out the Exploration work commitments stipulated in this EPCC unless otherwise provided or pay to the Government the sums set forth below in this Article. The Exploration work commitments may not be performed as Exclusive Petroleum Operations.

Exclusive Exploration Petroleum Operations may only be carried out after the fulfillment of the Exploration work commitments under this EPCC.

4.2 The Exploration Period shall be divided into three (3) sub-periods.

4.3 During the first sub-period of the Exploration Period of forty-eight (48) months, the Concessionaires shall conduct the following Exploration work commitment:

(a) Acquire five thousand and nine hundred square kilometers (5,900 Km²) of 3D Seismic;

(b) Drill one (1) Exploration Well up to a depth of two thousand one hundred and sixty meters measured from the mean sea surface at mean tide (2,160m TVDSS), or a Cretaceous stratigraphic target, whichever is earlier achieved;

(c) Complete studies in an amount of eighteen million United States of America dollars (USD 18,000,000);

In case of non-performance of any part of the Exploration work commitment described in this Article 4.3, save for exemptions listed in this Article, the maximum amount of any bank guarantee or the maximum amount to be paid by the Concessionaires to the Government



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for this sub-period of the Exploration Period shall be of fifty eight million and seven hundred thousand United States of America dollars (USD 58,700,000).

- 4.4 During the subsequent second sub-period of the Exploration Period of twenty-four (24) months, the Concessionaires shall conduct the following Exploration work commitment:

(a) Drill one (1) Exploration Well up to a depth of two thousand one hundred and sixty meters measured from the mean sea surface at mean tide (2160m TVDSS), or a Cretaceous stratigraphic target, whichever is earlier achieved;

(b) Complete studies in an amount of ten million United States of America dollars (USD 10,000,000).

In case of non-performance of any part of the Exploration work commitment described in this Article 4.4, save for exemptions listed in this Article, and in the manner provided by this Article, the maximum amount of any bank guarantee or the maximum amount to be paid by the Concessionaires to the Government for this sub-period of the Exploration Period shall be of fifty-six million United States of America dollars (USD 56,000,000).

- 4.5 During the subsequent third sub-period of the Exploration Period of twenty-four (24) months, the Concessionaires shall conduct the following Exploration work commitment:

(a) Drill one (1) Exploration Well up to a depth of two thousand one hundred and sixty meters measured from the mean sea surface at mean tide (2160m TVDSS), or a Cretaceous stratigraphic target, whichever is earlier achieved;

(b) Complete studies in an amount of ten million United States of America dollars (USD 10,000,000).

In case of non-performance of any part of the Exploration work commitment described in this Article 4.5, save for exemptions listed in this Article, and in the manner provided by this Article, the maximum amount of any guarantee or the maximum amount to be paid by the Concessionaires to the Government for this sub-period of the Exploration Period shall be of thirty-three million United States of America dollars (USD 33,000,000).

- 4.6 Should any Well forming part of the Exploration work commitments provided for in Articles 4.3, 4.4 and 4.5 be abandoned, for any reason other than a reason specified in Article 4.7 of this EPCC, before reaching the defined objectives of such Well, the Concessionaires shall drill a substitute Well. In this event the relevant sub-period of the Exploration Period shall be extended, by a reasonable period of time as MIREME may agree to allow the drilling and evaluation of the substitute Well.

- 4.7 Unless otherwise approved by MIREME, any Well which forms part of the Exploration work commitments provided for in Articles 4.3, 4.3 and 4.5 shall be drilled to such depth as set forth in those Articles, unless before reaching the required depth:

(a) further drilling would in the reasonable opinion of the Concessionaires present an obvious danger, due to such events as, but not limited to, the presence of abnormal pressure or excessive losses of drilling mud;

(b) impenetrable formations are encountered;

(c) Petroleum bearing formations are encountered which require protecting, thereby preventing planned depths from being reached; or



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(d) MIREME agrees to terminate the drilling operation.

4.8 In circumstances which the Concessionaires are permitted pursuant to Article 4.7 to drill any Well to a lesser depth than required pursuant to Article 4.3, 4.4, and 4.5, the Concessionaires shall be deemed to have satisfied all the Concessionaires' obligations in respect of that Well.

4.9 During the drilling of Exploration Wells hereunder, the Concessionaires shall, in accordance with this EPCC and applicable law, keep MIREME informed of the progress of each Well and shall:

- (a) as soon as reasonably possible, inform INP of any proposed Well testing programme;
- (b) test potentially commercially viable horizons, in the opinion of the Concessionaires and after consultation with MIREME, within the EPCC Area indicated by wireline logging or by other means of formation evaluation; and
- (c) promptly undertake a technical evaluation of the said test results and of all other relevant subsurface data, and submit the same to MIREME as soon as it has been completed.

4.10 (a) **Exploration Work Commitment Bank Guarantee**

The Concessionaires shall no later than thirty (30) days after the Effective Date, and prior to the first day of any sub-period of the subsequent Exploration Period provide, in substantially the form shown in Annex "D", an unconditional and irrevocable bank guarantee in respect of the guaranteed amount for fulfilling the Exploration work commitment for the relevant sub-period of the Exploration Period, as the same may have been reduced by the provisions of Article 4.11.

(b) **Parent Company Guarantee**

Without prejudice to the joint and several liability of all the Concessionaires, each Concessionaire shall by no later than thirty (30) days after the Effective Date of this EPCC provide, in substantially the form shown in Annex "E", an unconditional and irrevocable parent company guarantee from the ultimate parent company or from a subsidiary controlled by the ultimate parent company of the Concessionaire acceptable to MIREME in respect of all its obligations under this EPCC beyond the scope of the Exploration work commitment bank guarantee. A breach of the guarantor's obligations under the parent company guarantee shall constitute a breach of the Concessionaires obligations pursuant to this EPCC.

4.11 The amount of any Exploration work commitment bank guarantee given pursuant to Article 4.10(a) shall be reduced by the Concessionaires in discharge of its obligations under Articles 4.3, 4.4 and 4.5 as follows:

- (a) during the first sub-period of the Exploration Period:
 - seventeen million seven hundred thousand United States of America dollars (USD 17,700,000) or the actual cost of 3-D seismic to be acquired in this EPCC Area, whichever is higher, at completion of the Exploration work commitment described in Article 4.3a);
 - twenty three million United States of America dollars (USD 23,000,000) for each well at completion of the Exploration work commitment described in Article 4.3b);



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- eighteen million United States of America Dollars (USD 18,000,000) at completion of the Exploration work commitment described in Article 4.3c);
- (b) during the second sub-period of the Exploration Period:
- forty-six million United States of America dollars (USD 46,000,000) at completion of the Exploration work commitment described in Article 4.4a);
 - ten million United States of America dollars (USD 10,000,000) at completion of the Exploration work commitment described in Article 4.4b);
- (c) during the third sub-period of the Exploration Period:
- twenty-three million United States of America Dollars (USD 23,000,000) at completion of the Exploration work commitment described in Article 4.5.a);
 - ten million United States of America dollars (USD 10,000,000) at completion of the Exploration work commitment described in Article 4.5b).
- 4.12 If, at the end of the first or any subsequent sub-period of the Exploration Period the Exploration work commitment to be fulfilled by the Concessionaires during that sub-period pursuant to Article 4.3, 4.4 and 4.5, is deemed by INP as not fulfilled, INP shall notify the Concessionaires and shall unless the full amount has been met by the Concessionaires within thirty (30) days of such notification call on the Exploration work commitment bank guarantee for the payment thereunder of the cost of the fulfillment of the remaining Exploration work commitment for such sub-period.
- 4.13 In the event where the number of Wells drilled for the purpose of Exploration by the Concessionaires and/or the amount of seismic data acquired and/or studies carried out during any sub-period of an Exploration Period exceed the number of Wells and/or the amount of seismic data and/or studies carried out provided for in the work commitments for that sub-period, as established in Articles 4.3 and 4.4, the number of additional Exploration Wells drilled and/or the additional amount of seismic data acquired by the Concessionaire and/or studies carried out during such sub-period of the Exploration Period may be carried forward and treated as work undertaken in discharge of the Concessionaires' commitment to drill Exploration Wells and/or acquire seismic data and/or studies carried out during the succeeding sub-period of the Exploration Period. If by reason of the provisions of this Article the Exploration work commitment of the Concessionaires for any sub-period of the Exploration Period as specified in Articles 4.4 and 4.5 has been fully discharged by the Concessionaires before that sub-period commences, the Concessionaires, after consultation with MIREME, shall adopt a work commitment for the sub-period in question so as to ensure the continuity of Petroleum Operations in, or in connection with, the EPCC Area during that sub-period of the Exploration Period.
- 4.14 Except as otherwise provided, nothing in Article 4.12 or Article 4.13 shall be read or construed as extinguishing, postponing or modifying any commitment of the Concessionaires to carry out any Exploration work commitment, including seismic surveys or to drill Exploration Wells pursuant to this Article.
- 4.15 Appraisal Wells and seismic surveys carried out pursuant to an Appraisal Programme drawn up pursuant to applicable law and the expenditure incurred by the Concessionaires in carrying out such Appraisal Programme shall not be treated as discharging in whole or in part the minimum Exploration work commitment set out in Articles 4.3, 4.4 and 4.5.



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- 4.16 Within sixty (60) days of the Effective Date for so long as the Exploration Period subsists and at least ninety (90) days prior to the end of each calendar year or at such other times as may be approved in advance by INP, the Concessionaire shall prepare in detail and submit to INP an Exploration work programme and budget for the remaining portion of the calendar year or, for the subsequent calendar year(s), and a proposed structure for the Concessionaire's organisation for the conduct of Exploration Operations in the EPCC Area.
- 4.17 The Exploration work programme and budget prepared by the Concessionaires shall be consistent with obligations under this EPCC and shall set forth the Petroleum Operations which the Concessionaires proposes to carry out during the remaining portion of the calendar year and for subsequent calendar year(s). The Concessionaires shall consider any recommendations made by INP in respect thereof and, after making such revisions thereto as the Concessionaire consider appropriate, submit the revised annual Exploration work programme and budget to INP for information.
- 4.18 The Concessionaires may at any time amend the Exploration work programme and budget submitted in accordance with Articles 4.16 and 4.17, provided that the amended work programme and budget are:
- (a) prepared in detail and submitted to INP, once the Concessionaires have made the appropriate alterations after consideration of recommendations made by INP; and
 - (b) consistent with the Concessionaires' obligations under this Article.

Article 5 Conduct of Petroleum Operations

- 5.1 Any obligation pursuant to this EPCC shall be a joint and several obligation of all of the Concessionaires, save for those obligations which under applicable law or this EPCC is a several obligation.
- 5.2 CNOOC is the Operator. No change of the Operator may take effect unless it has been approved by MIREME.
- 5.3 A Concessionaire shall no later than thirty (30) days counting from the Effective Date of this EPCC have and maintain an organized structure that is appropriately staffed and with powers to manage the Petroleum Operations and other aspects pursuant to applicable law and related to this EPCC.
- 5.4 In fulfillment of the Regulation of Hiring Citizens of Foreign Nationality for Oil-Mining Sectors, approved by Decree n.º 63/2011 of 7 December, the Concessionaire or any other Affiliated Company of such Concessionaire or any Subcontractor, is authorized to keep applicable law and fill a global and combined quota for foreign national workers distributed as follows:
- (a) Each Concessionaire or any other Affiliated Company of such Concessionaire or any Subcontractor has the right related to hire five (5) foreign national workers, and
 - (i) In the Exploration phase, the number of additional foreign national workers to be hired can be up to 50% of the total number of workers hired by the Concessionaire, Affiliated Companies and Subcontractors authorized to do business in Mozambique;
 - (ii) During the period of Development, for the implementation of the Plan of Development, the number of additional foreign national workers be hired can



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be up to 33% of the total number of workers hired by the Concessionaire, Affiliated Companies and Subcontractors authorized to do business in Mozambique;

- (b) In case the number of foreign national workers is expected to exceed the proportion of foreign national workers authorized in i) or ii), any additional hiring is subject to the prior authorisation of the Minister responsible for labour.
 - (c) Subject to the Government's security review of any individual entering Mozambique and the procedures and formalities of the law relating to immigration the Government shall provide the necessary permits or other approvals required for the employment and admission into the Republic of Mozambique of Expatriate Personnel employed by the Concessionaires or its Subcontractors for the purpose of this EPCC.
- 5.5 Quotas applicable for the period in which a Plan of Development is being implemented or for the Production period shall be stipulated in that Plan of Development recognising that the referred number of foreign national workers will be progressively reduced, as stipulated, as soon as a Development activity has been implemented and the Mozambican workers have been trained for technical and services specialized positions.
- 5.6 In discharging its obligations each Party shall respect the human rights in accordance to the Mozambican law.

Article 6 Commercial Discovery and Development

- 6.1 The Concessionaire shall pursuant to applicable law submit to MIREME for Government consideration and approval a Development Plan for a proposed Development and Production Area for one or more Discoveries so as to include, so far as the boundaries of the EPCC Area permit, the entire area of the Petroleum Deposit or Deposits in respect of which a Declaration of Commerciality has been given. MIREME shall, within twelve (12) months from receipt of the proposed Development Plan submitted by the Concessionaire, give its views on the matter.
- 6.2 If Commercial Production of Petroleum has not commenced within a period specified in an approved Development Plan, from the date on which the Development Plan is approved, then the rights and obligations of the Concessionaires over the Development and Production Area to which the Discovery relates shall be extinguished as though the said area had been surrendered pursuant to applicable law. Such period may be extended
- (a) by any period that may be necessary to commence Commercial Production where the Concessionaires commenced promptly to implement the Development Plan as soon as the Development Plan was approved and has continued to diligently implement the Development Plan but at the end of the period (s) prescribed in this Article 6.2, have not yet commenced Commercial Production; or
 - (b) by the period of time that the commencement of Commercial Production has been delayed for lack of any approval or permit required to be obtained from the Government or any agency thereof after the implementation of the Development Plan has begun and prior to the commencement of Commercial Production and such delay is not attributable to actions or omissions which are within the reasonable control of the Concessionaire; or
 - (c) by any period that may be necessary to give effect to Article 22.4.



Article 7 Relinquishment of Areas

Where, at the end of any Exploration sub-period the Concessionaires request to enter into a new Exploration sub-period, the Concessionaires shall pursuant to the rules of abandonment of areas in applicable law relinquish its rights to a part of the EPCC Area in the following manner

- (a) at the commencement of the second Exploration sub-period of twenty-four (24) months in respect of a portion of the EPCC Area so that the area retained, excluding what is already included in Development and Production Areas or in Discovery Areas, does not exceed 75% (seventy-five per cent) of the EPCC Area on the Effective Date;
- (b) at the commencement of the third Exploration sub-period in respect of a portion of the remaining EPCC Area so that the area retained, excluding what is already included in Development and Production Areas or in Discovery Areas, does not exceed 50% (fifty per cent) of the EPCC Area on the Effective Date; and
- (c) at the end of the Exploration Period, in accordance with applicable law.

Article 8 Export of Documentation and Samples

Subject to applicable law and the approval of INP, each Concessionaire may export for processing or laboratory examination or analysis documents, samples or other original materials including documentation under Article 54 of the Petroleum Operations Regulations; provided that samples equivalent in size and quality or copies of equivalent quality have first been delivered to INP.

Article 9 Cost Recovery and Production Entitlement

- 9.1 The Concessionaires shall bear and pay all costs incurred in carrying out the Petroleum Operations in which the Concessionaires participate, and the Concessionaires shall recover such costs within the limit of 60 % of the Disposable Petroleum ("Cost Petroleum"), to the extent permitted by the EPCC including the provisions of Annex "C" of this EPCC, (hereinafter referred to as "Recoverable Costs"), and shall be remunerated exclusively by means of an entitlement to quantities of Petroleum to which the Concessionaires are entitled in accordance with the terms of the Special Tax Law (Law no. 27/2014 of 23 September, as amended by Law No. 14/2017 of 28 December) and of the respective Regulations approved by Decree no. 32/2015 of 31 December as amended by Decree 77/2022, of 31 December 2022 and the IRPC code (Law No. 34/2007 of 31 December).
- 9.2 (a) For the purpose that the Government or a Concessionaire may elect to take Profit Petroleum in kind, the Concessionaires shall, for accounting and reporting purposes, record Cost Petroleum separately:
 - i. in respect of each Development and Production Area; and
 - ii. in the form of liquids and gas, on a pro-rata basis relative to the volumes of Petroleum Produced.
 (b) For the purposes of this EPCC, condensate shall be taken in Crude Oil or Natural Gas on the basis of its character at the Delivery Point.
- 9.3 The Cost Petroleum for any quarter shall be calculated in the manner aforesaid shall be increased by:
 - (a) the amount of any contributions made by the Concessionaires into the Decommissioning Fund during such quarter; and



- (b) the costs incurred by the Concessionaires during such quarter to implement an approved Decommissioning Plan prepared pursuant to applicable law save to the extent that, such costs have been funded by withdrawals from the Decommissioning Fund; and
- (c) provided that in no event shall the Cost Petroleum exceed 60 % of the Disposable Petroleum.

9.4 Costs, to the extent permitted by the provisions of Annex "C" of this EPCC, approved by the competent authority, subject to Article 9.6, shall be recovered from Cost Petroleum:

- (a) in respect of costs attributable to Exploration as stipulated in Annex "C" of this EPCC (hereinafter referred to as "Exploration Costs"), by the recovery of the full amount in the fiscal year in which they were incurred or in the fiscal year in which Commercial Production commences, whichever is later; and
- (b) in respect of the amount of Development and Production Capital Expenditures stipulated in Annex "C" of this EPCC incurred during each fiscal year by the recovery of such Capital Expenditure, at a maximum yearly rate of twenty five per cent (25 %) on a linear depreciation basis beginning in the fiscal year in which such amount is incurred or in the fiscal year in which Commercial Production commences, whichever is later.

9.5 Costs, mentioned in article 9.4, incurred by Concessionaires to prepare an approved Decommissioning Plan shall be considered, for the purpose of Corporate Income Tax (IRPC), as operating costs pursuant to letter e) of article 19 of Law no. 27/2014 of 23 September.

9.6 The quantity of Cost Petroleum to which the Concessionaire is entitled in any year shall be established on the basis of the value of the Petroleum Produced during such year, and determined in accordance with applicable law and this EPCC.

9.7 The "Profit Petroleum", shall be shared between the Government and the Concessionaires according to the following scale:

R-Factor	Government's Portion	Concessionaires' Portion
Less than 1	15 %	85 %
Equal to or greater than 1 And less than 1.5	25 %	75 %
Equal to or greater than 1.5 and less than 2.0	35 %	65 %
Equal to or greater than 2 and less than 2.5	50 %	50 %
Equal to or greater than 2.5	60 %	40 %



- 9.8 The Concessionaires, excluding ENH or a Permitted Assignee, shall pay all costs properly incurred under this EPCC in relation to the State Participating Interest of twenty two point five percent (22,5 %) (herein referred to as "Carry") subject to the following conditions:
- (a) In the event of a third party, other than an entity holding a State Participating Interest (Permitted Assignee), has acquired a Participating Interest in the EPCC from any Concessionaire other than an entity holding a State Participating Interest, such third party shall be obliged to take over a proportionate share of the Carry.
 - (b) A State Participating Interest totally or partially transferred to a non-Permitted Assignee may only become effective provided all outstanding amounts as set out in Article 9.8 (e) relating to the transferred interest and not yet reimbursed to a Concessionaire subject to Carry have been paid by the non-Permitted Assignee to the Concessionaires proportionally to their respective Participating Interests. The share of any future Carry, to be paid by each Concessionaire subject to Carry, shall be calculated according to the new composition of Participating Interest of the Concessionaires subject to Carry.
 - (c) The Carry shall be limited to all costs incurred by the Concessionaire in discharging their obligations under this EPCC, up to and including the date upon which the Development Plan has been approved.
 - (d) The Carry shall be used exclusively to pay for costs properly incurred under this EPCC in relation to the State Participating Interest. Save for in respect of a transfer to a Permitted Assignee, ENH may not assign directly or indirectly the benefits derived under the Carry. Any transfer of a Participating Interest subject to the Carry requires the prior approval of MIREME.
 - (e) From the date of commencement of Commercial Production, ENH and any entity designated by the Government to manage the State Participating Interest shall reimburse in full the Carry in cash or in kind to the Concessionaires (other than ENH or a Permitted Assignee). Such reimbursement shall be calculated as and taken from the Cost Petroleum of ENH or a Permitted Assignee having benefited from the Carry. All Carry amounts owed up to approval of the first Development Plan shall be subject to payment of interest in United States dollars, compounded monthly, calculated at the SOFR rate plus one percentage point (1%), from the date such costs are incurred by the Concessionaires (other than ENH or a Permitted Assignee) until reimbursed in full.
- 9.9 The Concessionaires may re-inject Natural Gas which is not (i) taken by Government pursuant to applicable law, (ii) used for Petroleum Operations or processed and sold by the Concessionaires, or (iii) used by the Concessionaires for Concessionaires' purposes, and the costs of such re-injection of Natural Gas shall be cost recoverable.

In respect of operating costs attributable to Petroleum Operations stipulated as Operating Costs in Annex "C" to this EPCC (hereinafter referred to as "Operating Costs") (including any contributions into the Decommissioning Fund pursuant to applicable law, and including any costs incurred by the Concessionaires to implement an approved Decommissioning Plan save to the extent, in either case, that such costs have been funded by withdrawals from the Decommissioning Fund), by the recovery of the full amount in the calendar year in which they were incurred.



Article 10 Valuation of Petroleum

- 10.1 The valuation of Petroleum used for the purpose of Petroleum Production Tax, to be settled pursuant to the terms of the Special Tax Law (Law no. 27/2014 of 23 September, as amended by Law No. 14/2017 of 28 December) and of the respective Regulations approved by Decree no. 32/2015 of 31 December as amended by Decree 77/2022, of 31 December 2022, and for Cost Petroleum and Profit Petroleum allocation referred to in Article 9 and 11 shall, to the extent such Petroleum consists of Crude Oil, be determined at the end of each calendar month commencing with the calendar month in which Commercial Production of Crude Oil begins. To the extent that such Petroleum consists of Natural Gas, the value of Natural Gas shall be determined at the end of each calendar month commencing with the calendar month in which commercial delivery at the Delivery Point begins.
- 10.2 The calculated value for each separate export grade of Crude Oil from Petroleum Deposits within the EPCC Area for a calendar month shall be:
- (a) in the case of sales of Crude Oil to non-Affiliated Companies, the weighted average price per barrel at the Delivery Point of each separate export grade of Crude Oil, at which such Crude Oil has been sold FOB by the Concessionaire during that calendar month; or
 - (b) if the Concessionaire sells the Crude Oil to a third party on terms different from FOB, then for the purpose of this EPCC, a calculated net-back FOB price shall be applied. The net-back FOB price shall be established by deducting from the agreed price the actual and direct costs incurred by the Concessionaires in fulfilling the obligations under their sales contract in addition to those obligations included under a FOB contract.
- 10.3 In the case of sales of Crude Oil to Affiliated Companies, such price as agreed between MIREME and the Concessionaires on the basis of adding the following two factors together:
- (a) the weighted average calendar month FOB price for Brent rated Crude Oil, or such other appropriate marker Crude Oil for the production in question for the period in question. The weighted average shall be based on the days in each calendar month when a closing price is reported in "Platts Oilgram" price report. Days such as weekends and holidays with no price reports shall be ignored; and
 - (b) a premium or discount to the price of the Brent rated Crude Oil, or such other appropriate marker Crude Oil for the production in question to be determined by reference to the quality of the Crude Oil Produced from the EPCC Area and the cost of moving such Crude Oil to the market.
- 10.4 In any case in which MIREME and a Concessionaire are unable to agree a price under Article 10.3, in order to determine the premium or discount referred to therein the following procedures shall be undertaken:
- (a) MIREME and the Concessionaire shall submit to each other their assessments of the premium or discount together with an explanation of the key factors taken into consideration in assessing the premium or discount;
 - (b) if the premium or discount submitted by each of MIREME and the Concessionaire are within ten United States cents (10 US ¢) per barrel of each other the average will be taken for the purposes of setting the final value of the Crude Oil;
 - (c) if the premium or discount submitted by each of MIREME and the Concessionaire differ by more than ten United States cents (10 US ¢) per barrel each will resubmit a revised premium or discount to the other on the third (3rd) business day after the first exchange of information;



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(d) if the premium or discount submitted by each of MIREME and the Concessionaire on the second exchange of information are within ten United States cents (10 US ¢) per barrel of each other the average will be taken for the purposes of setting the final value of Crude Oil;

(e) if the premium or discount submitted on the second exchange of information differ by more than ten United States cents (10 US ¢) per barrel the matter shall, in accordance with Article 26.6, be referred for determination by a sole expert who shall establish a price based on the criteria set out in Article 10.3 but always within the range established by the Parties under Article 10.4 (d).

10.5 The value calculated for Natural Gas Produced from Petroleum Deposits within the EPCC Area for a calendar month shall be:

(a) in the case of sales of Natural Gas to non-Affiliated Companies in that calendar month, the weighted average price per Gigajoule of Natural Gas of commercial specification at the Delivery Point where such Natural Gas has been delivered by the Concessionaires during such calendar month; or

(b) in the case of sales to Affiliated Companies:

i. the price stipulated for sales to non-Affiliated Companies, in Article 10.5 (a); or

ii. such price agreed between the Ministries who superintends the petroleum and the Finance sectors jointly and the Concessionaires.

(c) In the case of sales of Natural Gas delivered as LNG in a calendar month:

i. in the case of sales to non-Affiliated Companies, the weighted average net LNG sales price in US Dollars per mmbtu calculated as the total revenue due in respect of all sales of LNG delivered during that calendar month less the aggregate of the Deductions (in accordance with Annex "C" of this EPCC) incurred in respect of those sales divided by the total volume, in mmbtu of LNG loaded during the month in respect of such sales; and

ii. in the case of sales to a Concessionaire or any Affiliated Companies, such price shall be either (i) calculated in the same manner as stipulated in Article 10.5 (c) (i) above for sales to non-Affiliated Companies or (ii) such price agreed between the Ministries with authority over the Petroleum sector and over the Finance sector and the Concessionaire.

10.6 In the event that the Government and/or its authorised representative enters into a commercial sales and purchase agreement for Petroleum with the Concessionaires for the purchase by the Government, the sales price shall not exceed the price of Petroleum sold to Affiliated Companies as determined in Article 10.3, 10.4, 10.5 (b) or 10.5 (c).

10.7 For supply of Petroleum by the Concessionaires to the domestic market, the sales price shall be based on:

(a) For Crude Oil: The net-back FOB price per barrel of the Crude Oil based on the reference price as quoted on Platts for the day in question, adjusted with any price demium or premium as appropriate to the relevant specific quality. If the relevant reference price is not quoted on Platts on the day in question, the price quoted by Argus Media shall be used instead.

(b) For Natural Gas: The price of such gas shall be set out in the sales and purchase contracts to be agreed by the parties. Where the parties to such contract cannot agree on the



price, the price of the Natural Gas shall be calculated with reference to the average price of Natural Gas in at least five internationally recognised LNG Markets, netted back to the delivery point for Natural Gas (and net of any liquefaction costs, as applicable) supplied to the domestic market in Mozambique.

Article 11 Fiscal Terms and Other Charges

- 11.1 Each Concessionaire and its Subcontractors shall, save to the extent they are exempt therefrom, be subject to applicable legislation of the Republic of Mozambique which impose taxes, duties, levies, charges, fees or contributions.
- 11.2 During the five (5) years from the approval of the Development Plan related to this EPCC, each Concessionaire and its Subcontractors are entitled to the rights of Law No. 27/2014, of 23 September (as amended by Law No. 14/2017 of 28 December) and the respective Regulations approved by Decree no. 32/2015 of 31 December, as amended by Decree 77/2022, of 31 December 2022, regulating tax and fiscal benefits for Petroleum Operations. Each Concessionaire and its Subcontractors shall be exempt from:
- (a) Customs duties with regard to the importation of goods destined to be used in Petroleum Operations, classified as class "K" in the customs tariff in accordance with article 35 of the Law No. 27/2014, of 23 September;
 - (b) Customs duties with regard to importation of explosives, detonators, rakes and similar machines and devices to blow explosives, as well as equipment and devices for topographical, geodesic and geological recognition on shore and offshore to be used for Petroleum Operations and other supplies classified as class "K" in accordance with Annex II, article 35 of the Law No. 27/2014, of 23 September.
- 11.3 Each Concessionaire and its Subcontractors shall be exempt from duties and custom and fiscal charges on goods temporarily imported to be used in Petroleum Operations in accordance with applicable fiscal regulation (Pauta Aduaneira), approved by Law 17/2022, of 29 December 2022.
- 11.4 The Expatriate Personnel of each Concessionaire and its Subcontractors shall be exempt under this EPCC from customs duties and other levies payable on the importation of personal and household effects of Expatriate Personnel and their dependents imported into the Republic of Mozambique on first arrival, provided that those customs duties shall become payable on such items upon their sale in the Republic of Mozambique to a person who is not exempt from such duties. The Expatriate Personnel shall have the right to export from the Republic of Mozambique free of any customs duties and levies the aforesaid personal and household effects imported by them, within the conditions stipulated in the customs clearance rules approved by Decree No. 9/2017, of 6 April.
- 11.5 For the purpose of this EPCC, the matters listed below shall be treated in the following manner:
- (a) (The Corporate Income Tax (IRPC), including incidence, rate of tax (32%) and fiscal benefits in accordance with Law No. 34/2007 of 31 December and as applicable to this EPCC pursuant to Article 15 (1) of Law No. 27/2014, of 23 September, as amended by Law 14/2017 of 28 December and as the same may be amended from time to time but always without prejudice to Article 11.8 of this EPCC, and shall be payable by each Concessionaire who shall be separately assessed and charged. The following provisions shall apply to IRPC levied in respect of income derived from Petroleum Operations hereunder:



- (i) In determining the net income of each Concessionaire for the purposes of calculating IRPC in any fiscal year, in addition to the deductions already made for the purpose of recovery of costs, and Profit Petroleum and Cost Petroleum calculation pursuant to Article 9, depreciation shall be deducted at the rates indicated below, beginning in the year in which the expenditure is incurred or Commercial Production commences, whichever year is the later:
 - in respect of expenditure on Exploration, including the drilling of Exploration and Appraisal Wells, at one hundred percent (100%);
 - in respect of Capital Expenditure on Development and Production at the annual rate of twenty five percent (25%) of such expenditure on a linear depreciation basis;
 - (ii) For the purpose of calculating liability for IRPC, a loss incurred by the Concessionaire in any year may be carried forward for up to 5 (five) years after the year in which such loss is incurred.
 - (iii) In order to determine IRPC taxable base, the competent authority in the Ministry with authority over the Finance sector can proceed with correction in accordance with Law n.º 34/2007, of 31 December which approves the IRPC Code, when the prices of transfer and sub-capitalization resulting from special transactions between Affiliated Companies differ from those with third parties.
- (b) Pursuant to Article 28 of Law no. 27/2014 of 23 September, the Concessionaires shall by way of payment of income tax on amounts due, withhold at source 10 per cent (10%) of the total amount of any payment made by the Concessionaire to a non-resident Subcontractor for services contracted for the performance of Petroleum Operation pursuant to this EPCC. The amount of such income tax withheld by the Concessionaires shall be paid to the competent entity in the Ministry with authority over the finance sector in accordance with procedures of applicable law.

Foreign non-resident Subcontractors are not subject to, and shall not be the object of withholding of any other taxes in relation to any payment made to them, except for the taxes provided for in this Article 11.5.

- 11.6 (a) In accordance with the applicable legislation and unless otherwise instructed pursuant to Article 11.6 (c), each Concessionaire shall pay in cash to the Government a Petroleum Production Tax based on the value at the Delivery Point pursuant to the valuation provisions in Article 10:
1. in respect of Natural Gas produced from Petroleum Deposits in the EPCC Area, an amount in cash corresponding to six percent (6%) of Natural Gas extracted, but not re-injected;
 2. in respect of Crude Oil produced from Petroleum Deposits in the EPCC Area, an amount in cash corresponding to ten percent (10%) of Petroleum extracted;

The Government may, instead of receiving the Petroleum Production Tax in cash referred to in Article 11.6 a), by 12 months' notice, require the Concessionaire to pay each month fully or partly in kind the quantities of the Crude Oil and the Natural Gas which has been produced, and to which the Government has a right, from the EPCC Area in that month.



(b) The payments in cash of Petroleum Production Tax for a given calendar month in respect of Crude Oil and Natural Gas produced during such month shall be made by the 20th (twentieth) of the following calendar month.

(c) Payment in kind of the percentage specified in the relevant notice given under Article 11.6(a) shall continue until the Government delivers a further written notice as provided in Article 11.6(a) providing revised instructions to the Concessionaire.

- 11.7 In the exercise of its rights and benefits regarding the exemption from customs duties on import and export stipulated under this Article, the Concessionaires shall comply with the applicable procedures and formalities duly imposed by applicable law.
- 11.8 The fiscal stability in Article 40 of Law No. 27 /2014 of September 23, as amended by Law No. 14/2017 of 28 December, is applicable for this EPCC. The option to extend the period of fiscal stability established in Article 40 (3) of Law No. 27/2014 of September 23 shall be exercised not later than the end of the eighth year after commencement of commercial production.

Article 12 Production Bonuses

- 12.1 The Concessionaires are obligated to pay the following Production bonuses, which payments shall not be considered as Recoverable Costs for the purposes of Annex "C" of this EPCC:

Occurrence	Production Bonuses payable in United States dollars
At the Commencement of Commercial Production	Twenty million United States of America dollars (USD 20,000,000)
When Production from the EPCC Area first reaches twenty five thousand 25,000 (twentyfive thousand) BOE per day average for a month	Five million United States of America dollars (USD 5,000,000)
When Production from the EPCC Area first reaches each further tranche of fifty thousand 50,000 (fifty thousand) BOE per day average for a month	Ten million United States of America dollars (USD 10,000,000)

- 12.2 For the purpose of the Production bonus calculation:

"Commencement of Commercial Production" means the date on which Commercial Production has been sustained for a period of thirty (30) consecutive days from the EPCC Area.

Article 13 Lifting Arrangements

- 13.1 (a) The Concessionaire shall, subject to provisions regulating the Production and sale of Petroleum and subject to applicable law and this EPCC, including any right that the Government may have under the laws of Mozambique for imperative reasons in the national



interest to acquire Petroleum to which the Concessionaires hold title, be entitled to lift, dispose and export freely its entitlement to Petroleum Produced under this EPCC.

(b) Each Party shall take its entitlement to Petroleum consistent with Good Petroleum Industry Practices at an approximately regular rate throughout each calendar year.

(c) Not later than ninety (90) days prior to the date scheduled for the commencement of Commercial Production, the Parties shall establish off-take procedures covering the scheduling, storage and lifting of Petroleum and such other matters as the Parties shall agree. Such procedures shall be consistent with Good Petroleum Industry Practices.

- 13.2 Notwithstanding applicable law, the Government may by twelve (12) months' notice given to the Concessionaires or Operator, instruct the Concessionaires or Operator to sell on behalf of the Government during the succeeding calendar year(s) the whole or any portion of the quantity of Petroleum Production Tax taken in kind, and when applicable, Profit Petroleum not previously committed to which the Government is entitled pursuant to this EPCC during said succeeding calendar year(s). The quantity of such Petroleum Production Tax taken in kind and of Profit Petroleum, which the Government desires to sell, shall be specified in said notice. The Concessionaires or Operator shall sell that quantity of Petroleum on the open market at the best price reasonably obtainable and shall remit the proceeds of the sale directly and forthwith to the Government. The Concessionaires or Operator shall not charge any fees incurred for selling Petroleum of the Government.
- 13.3 Whenever possible, based on the results of market research as required under applicable law, the Parties shall jointly market Natural Gas produced from any Development and Production Area under this EPCC.

Article 14 Decommissioning Plan and Decommissioning Fund

- 14.1 The Concessionaires shall in accordance with applicable law prepare and submit a Decommissioning Plan and implement the Government approved Decommissioning Plan.
- 14.2 At the time of establishment of the account for the Decommissioning Fund the Concessionaires shall deposit as an opening amount of the account US fifty thousand dollars (USD 50,000.00) or equivalent if an alternative currency is agreed in order to maintain the account until the date funding is required pursuant to the Decommissioning solution pursuant to Article 14.3 and Annex C Article 2.6.

Subject to approval by the Bank of Mozambique, a Decommissioning Fund interest bearing account shall be opened in a bank of international standing licensed to operate in Mozambique with a long term debt rating of at least A by Standard & Poor's, or A2 by Moody's Investors Service, or an equivalent rating by a successor entity to either agency. If, at the time of opening such account, no bank in Mozambique directly meets these requirements, the Concessionaires may open the account in a bank licensed to operate in Mozambique whose parent company bank meets the requirements provided that the parent company bank provides adequate guarantees for the balance in the account at any time.

Should the rating of the bank that holds such Decommissioning Fund interest bearing account change, the Bank of Mozambique may require the Concessionaire to move such account to a bank that fulfils the criteria of the previous paragraph.

No alternate currency shall be considered for this account which does not have a significant history of stable exchange rates as against the US Dollar. In the event such debt rating should fall below this standard, another bank meeting such standard shall be agreed. All investment



for the account shall be using a stable currency selected for the account and in low risk securities assets approved by the Ministry of Finance with a long term debt rating of at least A+ by Standard & Poor's, or A1 by Moody's Investors Service, or an equivalent rating by a successor entity to either agency.

- 14.3 MIREME shall, based on the proposals from the Concessionaires, select a preliminary Decommissioning solution towards the Decommissioning Plan to form the basis for the calculation of Decommissioning costs to be covered by a Decommissioning Fund, created for the purpose of covering these costs.
- 14.4 For the estimation and proper escalation of the total estimated Decommissioning cost, to be used as basis for the calculation of payment into the Decommissioning Fund pursuant to applicable law and this EPCC, the "Producers Price Index for the Drilling of Oil and Gas Wells" as published by the United States Bureau of Labour Statistics shall be used. The annual index to be used in year "n" shall be determined by difference between the annual index relating to the year in which the latest approved estimate is determined and the same annual index relating such year "n". In the event the United States Bureau of Statistics (Bureau of Labour Statistics) ceases, for any reason whatsoever, to publish the "Producers Price Index for the Drilling of Oil and Gas Wells" or when an alternative currency is selected, INP approves upon proposal by the Concessionaires either an alternative independent internationally recognised source or an alternative representative index.
- 14.5 The Concessionaires shall not withdraw money from the Decommissioning Fund without the prior written approval of the INP and save for the purpose of meeting the costs of implementing an approved Decommissioning Plan and all statements relating to the Decommissioning Fund provided by the bank from time to time shall be copied to MIREME.
- 14.6 Procedures on the administration and the governance of the Decommissioning Fund shall be proposed by the Concessionaire and subject to the approval of the INP, following the minimum standards defined in Article 14.2.
- 14.7 Any funds which have been cost recovered remaining in the Decommissioning Fund after the approved Decommissioning Plan has been completed shall be treated as Profit Petroleum and the remaining balance shall be shared between the Concessionaires and the Government in accordance with the provision of Article 9.7 Funds paid from contributions of the Concessionaire which have not been cost recovered but remain in the Decommissioning Fund after the approved Decommissioning Plan has been completed shall be shared exclusively among Concessionaires, proportionate to their respective Participating Interest.

Article 15 Insurance

- 15.1 The Concessionaires shall establish and maintain all insurance required in respect of Petroleum Operations in accordance with applicable Mozambican law and such other insurance as imposed by INP and observe best practices of the insurance industry applicable to the oil and gas industry.
- 15.2 The insurance shall at least include insurance against the following risks:
 - (a) loss or damage to all installations and equipment which are owned or used by the Concessionaires in the Petroleum Operations;
 - (b) pollution caused in the course of the Petroleum Operations by the Concessionaire for which the Concessionaire may be held responsible;



- (c) property loss or damage or physical injury suffered by any third party in the course of the Petroleum Operations by the Concessionaires for which the Concessionaire may be liable to indemnify third parties or the Government;
 - (d) cost of removing wrecks and cleaning-up operations following an accident in the course of the Petroleum Operations by the Concessionaires; and
 - (e) the Concessionaires' and the Operator's liability for its employees engaged in the Petroleum Operations.
- 15.3 In relation to Petroleum Operations, the Concessionaire shall submit to INP a programme for the provision of an "All Risks" insurance which shall without prejudice to applicable law, inter alia, cover physical damage to the Facilities under construction and installation and liabilities arising out of the Petroleum Operations.
- 15.4 The Concessionaires shall, in cooperation with the appropriate insurers capable of performing insurance activities in Mozambique, procure insurance for civil automotive against third parties, work accident insurance, work-related illness insurance and by any other mandatory insurance law, provided such insurance is of general applicability and not specific to Petroleum Operations.
- 15.5 The Concessionaires or the Operator shall, when requested by INP, present the insurance policy or documents proving that all insurance required under this EPCC or applicable law has been obtained.
- 15.6 Except as provided for in Article 15.4, any insurance required to be effected by the Concessionaire pursuant to Articles 15.1 and 15.2 may be provided by one or more of the following options:
- (a) Self-insurance, in which case, each Concessionaire or one of its Affiliated Companies supports the risk and no premium is charged;
 - (b) insurance through an insurance company being subject to reinsurance through an insurance company held in whole or in part by the Operator or by a Concessionaire in which case the premia charged shall be in accordance with rates as practiced in the international insurance market ;
 - (c) insurance relating to Facilities must be issued by an insurer licensed to carry out insurance business in Mozambique, including under a fronting regime utilizing captives or non-captives. The Operator shall communicate to INP within twenty-four (24) hours regarding such procurement.
 - (d) the Concessionaire utilising for the benefit of Petroleum Operations insurance which is placed as part of a global coverage in which case the premia charged shall be at the rates obtained for such global coverage through the mechanisms provided for in paragraph b) and c).
- 15.7 The Concessionaire shall competitively tender all renewable insurances at least once every three (3) years.
- 15.8 The contracting of insurance outside the Republic of Mozambique is subject to prior authorization from the Insurance Supervision Institute of Mozambique, at least ten (10)



business days in advance, relative to the date of the contracting of the insurance in question; the above request must be filed with the following documents:

- i. proof of refusal of underwriting of risk by at least three (3) insurance companies licensed to operate in Mozambique, with the financial capacity to accept high risks, or proof of the lack of response of three insurance companies in the period of seven (7) business days to be counted from the respective request for underwriting, in the form of a statement from the entity that intends to contract the insurance; and
- ii. information regarding the foreign insurance company that will be contracted, the coverage amount and main policy conditions.

15.9 Except in relation to reinsurance or captive insurance relating to Petroleum Operations, construction or to Facilities, the Concessionaires shall give preference to Mozambican insurers, when:

(a) the insurance, including fronting arrangements, available from insurers licensed to carry out insurance business in Mozambique are comparable to international insurance standards in terms of:

- i. types of coverages,
- ii. terms and conditions of such coverages,
- iii. financial strength of the insurer,
- iv. claim handling; and
- v. underwriting capability.

(b) such insurance, including fronting arrangements available from insurers licensed to carry out insurance business in Mozambique can be placed at prices that do not exceed the price of comparable insurance coverages by more than ten percent (10%) from international insurance markets, inclusive of taxes and related fees.

15.10 Concessionaires shall not be required to utilize local brokers or insurers if their rates exceed those available in international markets by more than 10%.

15.11 In the event that any type of insurance coverage necessary for the Petroleum Operations cannot be procured from or fronted by a Mozambican source as provided in this Article, the Concessionaires shall have the right to obtain such insurance from the international markets in a Transparent Jurisdiction.

15.12 The Concessionaires shall require its Subcontractors to carry equivalent insurance of the type and in such amount as is required by applicable law and standards in the Petroleum industry, in accordance with Good Petroleum Industry Practices.

Article 16 Employment, Training, and Institutional and Social Support Programmes

16.1 The hiring and training of employees for Petroleum Operations is regulated by the Labour Law, and the Petroleum Operations Regulations, approved by Decree no. 34/2015 of 31 December:

16.2 During the Exploration Period, the Concessionaires shall pay to the regulatory authority responsible for the administration and promotion of Petroleum Operations the amount of one



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million United States of America dollars (USD 1,000,000) per year, to be spent on training support programmes for employees in the public institutions involved in Petroleum Operations. The first payment shall be made to the regulatory authority of the Sector within thirty (30) days from the Effective Date and the subsequent payments shall be made within thirty (30) days of every subsequent anniversary of the Effective Date.

- 16.3 Each Concessionaire shall co-operate with MIREME in giving an agreed number of technicians in the management of petroleum resources, the monitoring and control of Petroleum Operations the opportunity to participate in training activities provided by the Concessionaire or any of its Affiliated Companies.
- 16.4 In order for MIREME to monitor the fulfilment of the employment and training obligations pursuant to applicable law and this EPCC, the Concessionaires shall annually submit its recruitment and training programmes to MIREME.
- 16.5 The Concessionaires shall pay to the regulatory authority responsible for the administration and promotion of Petroleum Operations the amount of two million United States of America dollars (USD 2,000,000), per year for the duration of this EPCC to be used as institutional support by the entity responsible for the promotion and administration of Petroleum Operations. The first payment shall be made to the regulatory authority of the Sector within thirty (30) days from the Effective Date and the subsequent payments shall be made on the subsequent anniversaries of the Effective Date.
- 16.6 The Concessionaires shall pay to MIREME four hundred thousand United States of America dollars (USD 400,000) per year for the duration of this EPCC, for social support projects for communities in areas where Petroleum Operations take place. The Concessionaire may recommend social support programmers to be financed by the Concessionaire and, where agreed with the Government, the agreed amount for such financing will be credited to the social support obligations in the following year. The first payment shall be made to MIREME within 30 (thirty) days from the Effective Date and the subsequent payments shall be made within 30 days of every subsequent anniversary of the Effective Date.
- 16.7 The sums expended by the Concessionaire to satisfy the obligations contained in this Article are Recoverable Costs for the purpose of Annex "C" of this EPCC.

Article 17 Indemnification and Liability

- 17.1 Each Concessionaire shall indemnify and hold the Government harmless from and against any and all claims instituted against the Government by third parties in respect of injury, loss or damage caused by the Concessionaires in the conduct of the Petroleum Operations, provided that the claims are duly qualified by a third party or the Government. In no case shall the Concessionaire's liability under this Article include punitive damages.
- 17.2 The Government shall indemnify and hold each Concessionaire, its Subcontractors and any of its Affiliated Companies harmless from and against any and all claims instituted against the Concessionaire, its Subcontractors and any of its Affiliated Companies by third parties in respect of injury, loss or damage caused by the acts or omissions of the Government in its commercial capacity.
- 17.3 Except as provided for in Article 17.8 no Party hereto shall settle or negotiate any claim for which another Party is responsible hereunder without the prior written consent of such other Party, and in the event that it does so, the indemnity aforesaid shall not have effect in relation to the claim so settled or compromised.



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- 17.4 Unless otherwise provided in this EPCC, each Concessionaire, its Subcontractors and any of its Affiliated Companies carrying out such Petroleum Operations on behalf of the Concessionaires shall not be liable to the Government and the Government shall not be liable to a Concessionaire, for consequential loss or damage including but not limited to inability to produce Petroleum, loss of Production or loss of profit.
- 17.5 Subject to Article 17.4, in carrying out Petroleum Operations under this EPCC each Concessionaire shall be liable for any injury, loss or damage suffered by the Government and caused by the Concessionaires or by any Affiliated Company or Subcontractor carrying out Petroleum Operations on behalf of the Concessionaires if the injury, loss or damage is the result of the Concessionaire's, the Affiliated Company's or the Subcontractor's failure to meet the standards required by this EPCC and the applicable law.
- 17.6 Any claim pursued by any third parties which would entitle any of the Parties (together the "Indemnified Party") of this EPCC to be indemnified by any of the other Parties of this EPCC (together the "Indemnifying Party") shall be promptly communicated by notice to the Indemnifying Party so that the Indemnifying Party may promptly intervene in the claim and pursue its defence. The notice shall include a description of the third party claim and shall be accompanied by copies of all relevant papers received by the Indemnified Party and its counsel with respect to such third party claim. The Indemnified Party shall cooperate with the Indemnifying Party and its counsel in contesting such third party claim. If the Indemnified Party fails promptly to communicate by notice as provided above and thereby causes the Indemnifying Party not to be able to properly pursue its defense, the Indemnified Party shall lose its rights to the indemnification under this Article.
- 17.7 If within thirty 30 (thirty) days of receipt of such claim notice, the Indemnifying Party notifies the Indemnified Party that it elects to assume the defense of such claim, then the Indemnifying Party shall have the rights to defend, at its cost and expense, such claim by all appropriate proceedings including compromise or settlement thereof, so long as any settlement agreement does not provide for or result in any continuing liability or obligation on the Indemnified Party in respect of such third party claim.
- 17.8 If the Indemnifying Party fails timely to elect to assume the defense of such claim, then the Indemnified Party shall have the right to defend at the sole cost and expense of the Indemnifying Party the third party claim by all appropriate proceedings including any compromise or settlement thereof.

Article 18 Title

- 18.1 The State and each Concessionaire shall own the Petroleum extracted jointly, and in undivided shares, until each takes individual title to and delivery of its entitlement of Petroleum Produced at the Delivery Point.
- 18.2 The Concessionaires shall finance the cost of all Facilities and equipment used in Petroleum Operations. Subject to applicable law and this Article each Concessionaires has the right to use such Facilities and equipment for Petroleum Operations during the term of this EPCC and any extensions thereof until the EPCC expires, is surrendered or cancelled, in which case the title to said Facilities and equipment at the option of the Government and without additional compensation may be transferred to the State.

In the event that Government requires the transfer of such Facilities and equipment to the Government or to a Mozambican Person wholly owned or controlled by the Government, each Concessionaire shall be released from all responsibility and liability of every kind pertaining to decommissioning of such Facilities and equipment.



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- 18.3 The Concessionaires are the owners of Facilities and necessary appurtenant equipment for the purpose and use in Petroleum Operations under this EPCC unless otherwise approved by the Government.

The provisions of Article 18.2 above with respect to the title of property passing to the State shall not apply to Facilities approved by the Government as belonging to third parties, however rights according to contract to use such Facilities shall pass to the Government if such use is related to Facilities that if owned by Concessionaire would have passed to the State. Moveable Facilities and equipment owned by foreign third parties may be freely exported from the Republic of Mozambique in accordance with the terms of the respective contract.

- 18.4 Third parties may, subject to terms and conditions stipulated by applicable law and this EPCC, have the right to the use available spare capacity of Facilities and appurtenant equipment on terms and conditions to be agreed between the commercial parties and acceptable to the Government. Such terms and conditions shall include a tariff that shall represent the payment for the Concessionaires' cost of additional investments required for facilitating such third party use as well as operational costs and a profit element reflecting the risk taken by the owner of the Facilities and appurtenant equipment. The tariff for third party use of Facilities and appurtenant equipment shall be subject to approval by the Government.
- 18.5 Subject to Good Petroleum Industry Practices, third party use of Facilities shall only take place when such third party use is not materially negatively affecting Concessionaires Petroleum Operations and is feasible from a technical, environmental and safety point of view.

Article 19 Accounting and audits

- 19.1 Each Concessionaire shall be responsible for maintaining accounting records of all costs, expenses and credits of the Petroleum Operations in accordance with the provisions of Annex "C" of this EPCC. The said accounting records shall be kept in the Republic of Mozambique.
- 19.2 The competent authorities of the Government have a right to audit and inspect the Concessionaires' accounting records in accordance with the provisions of Annex "C".

Article 20 Confidentiality

- 20.1 This EPCC, the Documentation and other records, reports analyses, compilations, data, studies and other materials directly related to the Petroleum Operations conducted pursuant to this EPCC (in whatever form maintained, whether documentary, computer storage or otherwise) shall be deemed confidential, to the extent it contains information which individually or collectively is of strategic commercial importance or has influence on the position of the Concessionaire or its Affiliated Companies in a competition perspective (hereinafter referred to as "Confidential Information"). Except as authorised by applicable law or this Article Confidential Information shall not be disclosed to any third party without the prior written consent of the Parties hereto, which consent shall not be unreasonably withheld or delayed.
- 20.2 Nothing in this Article shall prevent the disclosure of Confidential Information, excluding the Concessionaires' interpretations and assessments, to a third party by MIREME, after a period of five years from the date of the creation of the Confidential Information or the acquisition or creation thereof (whichever is later):
- (a) if it relates to acreage which has been relinquished and is no longer part of the EPCC Area; or



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(b) if, in the judgment of Government, the Documentation might have significance for the assessment of Exploration in an adjoining area over which Government is offering Exploration rights.

20.3 Restrictions on disclosure imposed by this Article shall not apply to a disclosure made reasonably:

(a) if it is required for the purpose of any arbitration or legal proceedings or claim relating to this EPCC or to the Petroleum Operations;

(b) to a Subcontractor, or consultant in connection with the conduct of Petroleum Operations;

(c) by a Concessionaire or Operator to a third party where such disclosure is essential to the safe conduct of Petroleum Operations;

(d) to an Affiliated Company;

(e) by a Concessionaire to a third party for the purpose of entering into a contract for data exchange with another entity operating in Mozambique where all data exchanged relates to Petroleum Operations within Mozambique;

(f) by any Concessionaire to a bona fide intending assignee of a Participating Interest in this EPCC or an interest in the Concessionaire;

(g) to a third party in connection with and for the purpose of the sale or proposed sale of Petroleum from the EPCC Area;

(h) to a third party in connection with the financing or proposed financing of Petroleum Operations;

(i) which is required by any applicable law or by the rules or regulations of any recognised stock exchange on which shares of the disclosing Party or any of its Affiliated Companies are listed; or

(j) if, and to the extent that, it is already public knowledge without improper disclosure hereto.

Any Confidential Information disclosed pursuant to paragraphs (b), (d), (e), (f), (g) or (h) of Article 20.3 shall be disclosed on terms that ensure that such Confidential Information is treated as confidential by the recipient.

20.4 None of the Concessionaires are required to disclose any of its proprietary technology or that of their Affiliated Companies or proprietary technology of a third party licensed to the Concessionaire or the Operator.

Article 21 Assignment

21.1 Any assignment of direct or indirect interest in this EPCC or in a Concessionaire holding a Participating Interest share in this EPCC shall be subject to approval by the Minister with authority over the Petroleum sector pursuant to applicable law. In this case, upon the Effective Date and in compliance with the provisions of Article 26.1 of the Petroleum Law, approved by Law No. 21/2014 of 18 August, CNOOC shall assign the entirety of its Participating Interest, set forth in Article 3.2 (b) above, and its role as Operator to a subsidiary owned by CNOOC duly incorporated under the laws of the Republic of Mozambique.



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- 21.2 No unitisation pursuant to this EPCC or applicable law or any adjustment to the portion of the unitised Discovery allocated to the EPCC Area is considered to be an assignment under this Article.
- 21.3 A Concessionaire may not assign a Participating Interest that represents less than ten percent ten percent (10%) of the EPCC total Participating Interest, unless the assignment is to another Concessionaire to this EPCC or subsequent to a Government approved unitisation.
- 21.4 Save for the case of unitisation, each Concessionaire shall at any time hold at least a Participating Interest in this EPCC of ten percent (10 %).

The Concessionaire who has been appointed and assumed position as Operator shall at any time hold at least a Participating Interest in this EPCC of twenty-five percent (25 %), save for the case of unitisation.

Article 22 Force Majeure

- 22.1 The non-performance or delay in performance, wholly or in part, by the Government or any Concessionaire of any obligation under this EPCC except an obligation to make payments hereunder, shall be excused if, and to the extent that, such non-performance or delay is caused by Force Majeure. In the case of a Sanctions Event, the affected Concessionaire shall also be excused if and to the extent that it fails to make any payment when due under this EPCC as a result of the Sanctions Event.
- 22.2 For the purpose of this EPCC, the term Force Majeure means any cause or event beyond the reasonable control of, and not brought about at the instance of, the Party claiming to be affected by such event, and which has caused or is expected to cause the non-performance or delay in performance. Without limitation to the generality of the foregoing, events of Force Majeure shall include natural phenomena or calamities including but not limited to, epidemics, earthquakes, storms, lightning, floods, fires, blowouts, wars declared or undeclared, transboundary hostilities, blockades, civil unrest or disturbances, labour disturbances, strikes, quarantine restrictions, Sanctions Event and unlawful acts of Government.

"Sanctions Event" occurs whenever a Party is or becomes affected by a Sanction.

"Sanctions" means the economic and trade embargoes and laws, regulations, rules or restrictive measures related to sanction, imposed, published or applied by any international organization or any government, public or regulatory authority or body responsible, responsible for the imposition, administration or enforcement of sanctions.

- 22.3 The Party claiming suspension or modification of its obligations under this EPCC on account of Force Majeure shall:
- (a) promptly notify the other Parties of the occurrence thereof;
 - (b) take all actions that are reasonable and if necessary, legal actions, to remove the cause of Force Majeure but nothing herein shall require the Concessionaires, subject to applicable law, to resolve any labour dispute except on terms satisfactory to the Concessionaires; and
 - (c) upon removal or termination of Force Majeure, promptly notify the other Parties and takes all reasonable action for the resumption of the performance of its obligations under this EPCC as soon as possible after the removal or termination of Force Majeure.
- 22.4 Where under this EPCC a Concessionaire is required or has the right to do any act or to carry out any programme within a specified period, or the rights of a Concessionaire hereunder are



to subsist for a specified period, the specified period shall be extended so as to take reasonable account of any period during which by reason of Force Majeure the Concessionaire has been unable to carry out the programme necessary to exercise a right, carry out its obligations or enjoy its rights hereunder.

- 22.5 Where a Force Majeure situation continues for more than fifteen (15) consecutive days (or in the case of a Sanctions Event, the longer of one hundred and twenty (120) days or the winding-down period required by any applicable authority would prevail), the Parties shall meet forthwith in order to review the situation and to agree on a good faith solution, including but not limited to the measures to be taken for the removal of the cause of Force Majeure and for the continued or resumption in accordance with the provisions of this EPCC of the performance of the obligations hereunder.

Article 23 Nature and Extent of Rights of the Concessionaire

- 23.1 The right of the Concessionaires to use the land, maritime areas or sea bed is subject to applicable law and continues to apply to acreage initially included within the EPCC Area, but subsequently relinquished in accordance with the terms of this EPCC, where such use is reasonably necessary for purposes of conducting Petroleum Operations in the EPCC Area then remaining under this EPCC.
- 23.2 Where in the course of conducting Petroleum Operations in the EPCC Area the Concessionaires causes disturbance to the rights of the lawful occupier of any land or causes damage to his growing crops, trees, buildings, livestock or works, the Concessionaires shall pay to the lawful occupier compensation in respect of such disturbance or damage as Concessionaires may be adjudged liable to pay as a result of final, non-appealable order or judgement of a court or arbitral body under Mozambican jurisdiction.
- 23.3 Where in the course of conducting Petroleum Operations in the EPCC Area the Concessionaires causes disturbance to the rights of a Person having their fishing fields or grounds occupied, aquaculture activities limited, fishing or aquaculture equipment moved to less favourable locations from a maritime resource management or commercial point of view, as well as having their equipment, catch or harvest polluted or damaged the Concessionaires shall pay to the Person affected such compensation in respect of such demonstrable disturbance or damage as the Concessionaires may be adjudged liable to pay by final, non-appealable order or judgement of a court or arbitral body under Mozambican jurisdiction.
- 23.4 For the purposes described in this Article subject to applicable law, in accordance with the provisions of the applicable work programme related thereto and with the consent of, and subject to any terms and condition agreed with any Person having such right, the following rights are granted to the Concessionaires:
- (a) to drill for and have the use of water and impound surface waters and to establish systems for the supply of water for the Petroleum Operations and for consumption by its employees and its Subcontractors;
 - (b) extract, dispose and use minerals for Petroleum Operations in Mozambique, materials such as gravel, sand, lime, gypsum, stone and clay;
 - (c) to erect, set up, maintain and operate engines, machinery, pipelines, gathering lines, umbilicals, storage tanks, compressor stations, pumping stations, houses, buildings and all other constructions, installations, works, platforms, other facilities and auxiliary equipment which are required in furtherance of its Petroleum Operations;



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(d) to erect, set up, maintain and operate all communication and transportation systems and Facilities but shall not, save for temporary purposes, do so unless drawings of and locations for their sites have been submitted to and approved by the Government, under reasonable conditions of installation and operation of such systems and Facilities;

(e) to erect, maintain and operate harbours and terminals for use exclusively in Petroleum Operations, together with the necessary means of communication and transport between such Facilities and any part of the EPCC Area;

(f) with respect to lands located outside of the EPCC Area, to have the right of way over land not in the beneficial occupation of any Person and in the case of land in the beneficial occupation of the State or any State Company, agency or instrumentality of the Government to have right of way on such reasonable terms and conditions as the Government and the Concessionaire may agree; and

(g) with respect to lands located outside of the EPCC Area, to have, otherwise than aforesaid, the use of land necessarily required for the conduct of Petroleum Operations with the approval of the Person having an affected right, including a legitimate occupier of the land or, in the case of unoccupied land or land occupied by the Government or any State Company, agency or instrumentality of the Government on such reasonable terms and conditions as the Government shall specify.

- 23.5 If the use of the rights by the Concessionaires referred to in Article 23.4 is to be of a temporary nature, not exceeding one (1) year, the Government shall authorise such temporary use upon deposit by the Concessionaires with the Government of a sum by way of compensation to such Person holding the right for loss of use and damage to its interest.

If the use is to be for a period longer than one (1) year, the Government shall authorise the use by the Concessionaire of the right in question upon deposit by the Concessionaires with the Government of such sum by way of compensation and shall direct appropriate proceedings to grant the Concessionaires the right to use and legally utilize the right under the applicable law from time to time in force as if the Petroleum Operations were in all respects a work of public utility.

- 23.6 In the event that the Government exercises any right it may have under the laws of Mozambique to acquire Petroleum for imperative reasons in the national interest the Government shall:

- (a) endeavour to not affect the normal execution of long-term gas sales contracts approved by Government;
- (b) take Petroleum, in the following priority
 - i. any Petroleum taken in kind as Petroleum Production Tax;
 - ii. the Government's Profit Petroleum;
 - iii. ENH's Profit Petroleum;
 - iv. Concessionaires' Profit Petroleum;
 - v. Cost Petroleum;



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- (c) give not less than forty five (45) days' notice in regard of Crude Oil and ninety (90) days in regard of Natural Gas of the exercise of such right and of the volumes it wishes to acquire, and the Concessionaires shall supply the volumes so notified from the Petroleum to which the Concessionaires are entitled under this EPCC at the Delivery Point or such point that may be agreed or such point within Mozambican jurisdiction designated by the Government. Additional cost incurred by the Concessionaire in order to deliver such Petroleum at any other point than the Delivery Point with facilities and equipment in place shall be reimbursed to the Concessionaires by the Government and the cost of any new facilities and equipment to be used for such delivery shall be paid by the Government;
- (d) pay the Concessionaires the full market value of the Petroleum so acquired determined in accordance with Article 10.7. Payment for the Petroleum so acquired in any calendar month shall be made in United States dollars within thirty (30) days after the end of that calendar month. The Concessionaire may receive, remit and retain abroad and freely dispose of all or any part of the sums so paid;
- (e) where the normal execution of committed spot gas sales contracts approved by Government is affected, such acquisition is subject to compensation of proven documented foreseeable emerging losses ("danos emergentes"); and
- (f) where the normal execution of committed long term gas sales contracts approved by Government are affected, then such acquisition is subject to compensation of proven documented emerging losses and foreseeable loss of profits ("danos emergentes e lucros cessantes").

Article 24 Environmental Protection

- 24.1 The provisions of applicable law regarding protection of the environment, prevention of pollution, and protection of objects of historical, cultural and natural value, shall apply to Petroleum Operations authorised and conducted pursuant to this EPCC.
- 24.2 The specific conditions regarding protection of the environment, prevention of pollution and protection of objects of historical, cultural and natural value, including issues as outlined in the invitation to apply for Exploration and Production Concession Contracts, shall apply for Petroleum Operations pursuant to this EPCC.
- 24.3 If the Concessionaires fail to comply with applicable law and this EPCC with regard to environmental protection within a reasonable period of time the Government may, after giving the Concessionaires written notice of such failure to comply and a reasonable period of time necessary to take corrective action, take any action which may be necessary to cure such failure, and recover, immediately after having taken such action, all expenditure incurred in connection with such action from the Concessionaires together with interest at the prevailing SOFR rate plus 1% (one percentage point) compounded monthly and calculated from the date such expenditure is made until repaid.

Article 25 Surrender and Cancellation

- 25.1 The Concessionaires may pursuant to applicable law:
 - (a) surrender its rights in respect of the entire EPCC Area if its obligations in respect of any Exploration sub-period have been fulfilled, with the consequence that no new obligations will thereafter accrue; and



(b) at any time, surrender their rights in respect of any acreage forming part of the EPCC Area with the consequence that no new obligations will thereafter accrue in respect of such acreage, provided, however, that no surrender by the Concessionaires of their rights over any part of the EPCC Area shall relieve the Concessionaire of any of its obligations as set out in Article 4.

25.2 The Government may revoke this EPCC observing the following procedures:

The Government shall communicate its intention to revoke this EPCC by ninety (90) days prior notice. Such notice shall be served on the Concessionaire with recorded delivery, stating in detail the alleged breach relied upon by the Government.

The Concessionaire shall within thirty (30) days from its receipt of such notice as mentioned above remedy whatever default of the Concessionaire.

A declaration of revocation of this EPCC may be issued for reasons provided in applicable law and in this EPCC, including the following:

- (a) False or inaccurate information deliberately or grossly negligently submitted in relation to any application for this EPCC, permit, approval of plan, which has been determinant for the granting of the Petroleum right;
- (b) Deviation of the purpose of the EPCC;
- (c) Bankruptcy of the Concessionaire;
- (d) Substantial or repeated breach or non-compliance with applicable law or the terms and conditions of the EPCC;
- (e) A Concessionaire fails to comply with any final administrative court, arbitral or independent expert decision;
- (f) Where there is only one Concessionaire in this EPCC, and an order is made or a resolution is passed by a court of competent jurisdiction winding up the affairs of the Concessionaire unless the winding up is for the purpose of amalgamation or reorganisation and the Government has been notified of the amalgamation or reorganisation, or without the approval of the Government, the majority of the shares in the Concessionaire are acquired by third parties other than an Affiliated Company;
- (g) Abandonment of the EPCC Area for a period exceeding three hundred and sixty-five (365) days; and
- (h) Other causes set forth in this EPCC.

The Government may by notice require that a Concessionaire that is in breach as provided for above shall assign its Participating Interest to the Government or to the other Concessionaires holding Participating Interest.

Where a notice of assignment has been served on a Concessionaire that Concessionaire shall forthwith, unconditionally, without consideration and free from all encumbrances assign its undivided Participating Interest to the other Concessionaires in proportion to the undivided Participating Interest in which the receiving Concessionaires hold their Participating Interest. Each of the receiving Concessionaires is obliged to accept the assignment. A Concessionaire receiving such assignment is not responsible for any obligations of the assigning Concessionaire which accrued prior to the assignment.

The Minister with authority over the petroleum sector may revoke this EPCC forthwith if the Concessionaire within ninety (90) days from Concessionaire's receipt of such notice of breach of law or the EPCC terms and conditions



- (a) Has not cured or removed such substantial breach as specified in the notice for revocation; or
- (b) Has not paid the damages demanded by the Government in the notification; or
- (c) The Concessionaire has not commenced court or arbitration proceedings pursuant to Article 26.

Any dispute may be referred to an independent expert, court or arbitration tribunal on the question of whether the EPCC may be revoked, whether the requirements of this Article have been satisfied, whether the Concessionaire has remedied or removed a ground for revocation or notice of assignment which are impossible to remedy or remove.

Where a dispute has been brought before court or arbitration tribunal the EPCC may not be revoked until all matters in dispute have been resolved by final, non-appealable order or judgment and in that event only if revocation is consistent with the order or judgement rendered.

Where the existence of a breach of the terms and conditions of the EPCC relates to a matter in dispute between the Government and a Concessionaire which has been referred for determination by a sole expert pursuant to the EPCC, a notice served on the Concessionaire pursuant to this Article may not rely upon that matter as a reason for the intended revocation of the EPCC until the sole expert has determined the matter and in that event only if to do so would be consistent with the way in which the matter has been so determined.

Abandonment is deemed to take place whenever the Concessionaire, without justified reasons and for a period of no less than three (3) months, ceases to conduct Petroleum Operations in the EPCC Area.

- 25.3 In the event that there is more than one Concessionaire, and there are justified grounds for revocation of the EPCC by Government pursuant to applicable law, the Government may not revoke this EPCC unless the grounds for the revocation apply to all of the Concessionaires. If the grounds for revocation apply to less than all Concessionaires the Government may only revoke the respective Concessionaire's Participating Interest of that Concessionaire in material breach.

Article 26 Consultation, Arbitration and Independent Expert

- 26.1 For the purpose of this article, there are two Parties, the Government and the Concessionaire. Any dispute between the Parties shall be subject to this Article.
- 26.2 A dispute shall be resolved, if possible, by negotiation between the Parties. A notice of the existence of a dispute shall be given by a Party to another in accordance with the provisions of notices in Article 33. In the event that no agreement is reached within ninety (90) days after the date one Party notifies the other that a dispute exists, or such longer period that is specifically provided for elsewhere in this EPCC, either Party shall have the right to have such dispute determined by arbitration or an expert as provided for in this Article 26. Arbitration and expert determination as aforesaid shall be the exclusive method of determining a dispute under this EPCC.
- 26.3 Subject to the provisions of this Article 26, and save for any matter to be referred to a sole expert as provided in Article 26.6, the Parties shall submit any dispute arising out of or in connection with this EPCC which cannot be resolved by negotiation, including the compensation for expropriation which may be set by a panel acting pursuant to Article 45 of the Petroleum Law as provided in Article 26.2 to arbitration as hereinafter provided:



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(a) all disputes referred to arbitration shall be finally settled under the United Nations Commission on International Trade Law ("UNCITRAL") Arbitration Rules in force at the Effective Date;

(b) the seat of the arbitration shall be Geneva in Switzerland, and the substantive law of the arbitration shall be Mozambican law.

(c) The arbitration shall be conducted in the English language. Notwithstanding Article 28, the English version of this EPCC initialized by the Parties as a supporting document shall be used as the official translation in arbitral proceedings;

(d) an award by an arbitrator or arbitrators shall be final and binding on all Parties;

(e) the arbitral panel shall be composed of 3 (three) arbitrators to be appointed in accordance with the UNCITRAL Rules, provided that, upon mutual agreement of both Parties, the arbitration is to be conducted by a sole arbitrator appointed under the UNCITRAL Rules. Unless both Parties have agreed that the dispute shall be settled by a sole arbitrator, the claimant Party shall nominate in the request for arbitration, and the respondent Party shall nominate within 30 (thirty) days of the registration of the request, one (1) arbitrator pursuant to the UNCITRAL Rules. Within a period of 30 (thirty) days from the date when both arbitrators have accepted their appointments the arbitrators so appointed shall agree on a third arbitrator, who shall act as Chairman of the arbitral tribunal. If either Party fails to nominate an arbitrator as provided above, or if the arbitrators nominated by the Parties fail to agree on a third arbitrator within the period specified above, then the appointing authority, which shall be the Permanent Court of Arbitration in The Hague, upon request of either Party shall make such appointments as necessary in accordance with the UNCITRAL Rules. If both Parties have agreed that the dispute shall be settled by a sole arbitrator, the sole arbitrator shall be nominated by agreement between them subject to acceptance by the nominated arbitrator; provided that if the Parties are unable to agree on a nominee for sole arbitrator within 30 (thirty) days from the date when the notice of arbitration was given to the respondent Party, then the Secretary-General of the Permanent Court of Arbitration upon request of either Party shall appoint the sole arbitrator in accordance with the UNCITRAL Rules;

(f) insofar as practicable, the Parties shall continue to implement the terms of this EPCC notwithstanding the initiation of arbitral proceedings and any pending disputes;

(g) the provisions set out in this Article 26 shall continue after the termination of this EPCC; and

(h) neither any sole expert nor any arbitrator of the arbitral tribunal, as applicable, shall be of the same nationality as any Party.

26.4 An award or a decision, including an interim award or decision, in arbitral proceedings pursuant to this Article 26 shall be binding on the Parties and judgment thereon may be entered in any court having jurisdiction for that purpose. Each of the Parties shall hereby irrevocably waive any defenses based upon sovereign immunity and waives any claim to immunity:

(a) in respect of proceedings in aid of arbitration or to enforce any such award or decision including, without limitation, immunity from service of process and from the jurisdiction of any court; and

(b) in respect of immunity from the execution of any such award or decision against the property of the Republic of Mozambique held for a commercial purpose.



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"Parties" in this Article 26.4 shall be understood to include each of the Concessionaires.

- 26.5 Any matter in dispute of a technical nature not involving interpretation of law or the application of this EPCC and which is required to be referred to a sole expert for determination under the provisions of this EPCC, including on valuation in Article 10.4 (e) of this EPCC and Article 2.1 (e) of Annex "C", or other issues of a substantially equivalent nature to said provisions, or with respect to any other matter which the Parties may otherwise agree to so refer, shall be referred to a sole expert for determination by a Party giving notice to such effect pursuant to Article 33. Such notice shall contain a statement describing the dispute and all relevant information associated therewith. A sole expert shall be an independent and impartial person of international standing with relevant qualifications and experience appointed pursuant to the mutual agreement of the Parties. Any sole expert appointed shall act as an expert and not as an arbitrator or mediator and shall be instructed to endeavour to resolve the dispute referred to him within thirty (30) days of his appointment, but in any event within sixty (60) days of the appointment. Upon the selection of the sole expert, the Party receiving the notice of referral above shall submit its own statement containing all information it considers relevant with respect to the matter in dispute. The decision of the sole expert shall be final and binding and not subject to any appeal, save for fraud, corruption or manifest disregard of applicable procedure of this EPCC. If the Parties are unable to agree on the appointment of a sole expert within twenty (20) days after a Party has received a notice of referral under this Article the sole expert shall be selected by the President of the Institute of Energy, London, and the person so selected shall be appointed by the Parties.
- 26.6 The sole expert shall decide the manner in which any determination is made, including whether the Parties shall make oral or written submissions and arguments, and the Parties shall co-operate with the sole expert and provide such documentation and information as the sole expert may request. All correspondence, documentation and information provided by a Party to the sole expert shall be copied to the other Party, and any oral submissions to the sole expert shall be made in the presence of all Parties and each Party shall have a right of response. The sole expert may obtain any independent professional or technical advice as the sole expert considers necessary. The English version of this EPCC initialized by the Parties as a supporting document shall be used as the official translation in any determination by the sole expert. The fees and expenses of a sole expert appointed under the provisions of Article 26.5 shall be borne equally by the Parties.
- 26.7 The Parties hereby agree not to exercise any right to institute proceedings to set aside any interim or final arbitral award made pursuant to this Article 26, except that nothing in this Article 26.7 shall be read or construed as imposing any limitation or constraint on either Party's right to seek to contest enforcement any such interim or final arbitral award (a) rendered by an arbitral tribunal appointed in accordance with this Article 26 on the limited grounds and in accordance with the procedure set forth in Article V of the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards.

Article 27 Applicable Law

This EPCC shall be governed by and construed in accordance with the laws of the Republic of Mozambique.

Article 28 Language

This EPCC is drawn up in three (3) originals in the Portuguese language, for signature by the Government and the Concessionaires. One signed Portuguese original will be retained by each of the Parties. An English language translation is to be prepared and initialed as a supporting document by



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the Parties. However, in case of conflict between the Portuguese original text and the English translation, the Portuguese original text shall prevail.

Article 29 Joint Operating Agreement

- 29.1 A Joint Operating Agreement shall be signed between the Concessionaires immediately upon entering into this EPCC.
- 29.2 The Joint Operating Agreement is subject to the approval of the Government and such an approval is a condition precedent for the EPCC.
- 29.3 Every other agreement than the Joint Operating Agreement relating to the Petroleum Operations made between the Concessionaires shall be consistent with the provisions of this EPCC and shall be submitted to MIREME for approval as soon as the same has been executed.
- 29.4 INP appoints representatives that shall have the right to attend as observers in any meeting of the Operating Committee established pursuant to the Joint Operating Agreement (JOA). The same shall apply for any sub-committee established under the JOA and the Operating Committee and any sub-committee established pursuant to an unitisation agreement. The Operator shall copy the INP all notices and documentation concerning the meetings, including minutes regarding such meetings. The appointed governmental observers shall only act as observers and not interfere or participate in any discussions or decisions during such meetings, or offer advice or views on the issues raised or discussed.
- 29.5 Each Party and the INP representative shall pay their own cost of attending any such meetings.

Article 30 Future Agreements

It is understood that any written agreement which may at any time be concluded between the Concessionaires, on one side, and the Government, on the other, as may be required or desired within the context of this EPCC shall be deemed to have been approved to the same extent in accordance with applicable law as if it was originally included in this EPCC.

Article 31 Foreign Exchange

For the purpose and term of this EPCC, matters regarding foreign exchange operations are regulated by the Law 28/2022 of 29 December 2022 as further regulated by Order 20/GBM/2017, of 27 December 2017 and Order 7/GBM/2018, of 19 September 2018, as well as by other regulations issued by the Bank of Mozambique in force at the time of signature of the EPCC

Article 32 Prevention of Corruption

- 32.1 The Government and the Concessionaire shall cooperate on preventing corruption. The Parties undertake to take administrative disciplinary actions and rapid legal measures in their respective responsibilities to stop, investigate and prosecute in accordance with national law any person suspected of corruption or other intentional resource misuse.
- 32.2 No offer, gift, payments or benefit of any kind, which constitutes an illegal or corrupt practice pursuant to applicable law of the Republic of Mozambique, shall be given or accepted, either directly or indirectly, as an inducement or reward for the execution of this EPCC or for doing or not doing any action or making any decision in relation to this EPCC.
- 32.3 The paragraph above is equally applicable to the Concessionaire, their Affiliated Companies, agents, representatives, Subcontractors or consultants when such offer, gift, payments or other benefit of any kind violates:
 - (a) the applicable laws of the Republic of Mozambique;



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- (b) the laws of the country of formation or principal place of business of the Concessionaire's Parent Company exercising direct or indirect control of a Concessionaire; or
- (c) the laws of the country of formation or principal place of business of agents, representatives, Subcontractors or consultants or any entity exercising direct or indirect control over such agents, representatives, Subcontractors or consultants ; or
- (d) any other applicable anti-corruptions laws; or
- (e) the principles described in the United Nation Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, signed in Paris 17 December 1997, and which entered into force 15 February 1999, including the Conventions commentaries.

Article 33 Compliance with Law 15/2011, of 10 August 2011 and Decree n.º 16/2012, of 4 June 2012) ("Public Private Partnership Law")

All of the requirements of the Law 15/2011, of 10 August 2011 and Decree n.º 16/2012, of 4 June 2012 have been fulfilled, including the requirement regarding the participation of Mozambican nationals which shall be ensured through the entity holding the State Participating Interest.

Article 34 Stability of Economic Benefit

- 34.1 In the event of any change in legislation affecting Petroleum Operations that causes a material adverse impact to the expected economic benefit of the Concessionaire or of the Government under this EPCC, the Parties shall, following enactment of such change in legislation, meet to verify and seek agreement on adjustments required to restore the economic benefit the Concessionaire or the Government would have derived if such legislation had not been enacted.
- 34.2 The provisions of this Article are not applicable to changes in legislation pertaining to health, safety, labour, social security or the environment as in line with international practice or to the elements that are subject to fiscal stability under Article 40 of Law No. 27 /2014 of September 23 of 2014, as amended by Law No. 14/2017 of 28 December.

For the purposes of this Article 34:

- (a) "material adverse impact" shall mean a decrease of annual expected economic benefits as defined below and under the EPCC of at least twenty-five (25) million USD in the annual aggregate.
- (b) "expected economic benefits" shall mean the expected net value calculated as the difference between the total expected revenue and the total expected costs for the Concessionaires or the Government as the case may be.

Article 35 Notices

- 35.1 All notices, invoices and other communications hereunder shall be deemed to have been properly given or presented, if delivered in writing in person or by courier at the addresses indicated in this Article 33.2 with the charges associated with the delivery of the notice, invoice or other communication being paid by the sender.
- 35.2 All such notices shall be addressed to the Government or the Concessionaire, as the case may be, as follows:



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(a) The Government:

MINISTÉRIO DOS RECURSOS MINERAIS E ENERGIA
Avenida Zedequias Manganhela
Porta no. 516, 16º Floor, Tower 1
Caixa Postal 4724
Maputo, Mozambique

Copy to: Chairman of the National Petroleum Institute
Address: Rua dos Desportistas, no 259, Aterro da Maxaquene, Parcela E
Telephone: +258 21320618

(b) Empresa Nacional de Hidrocarbonetos. EP

Address: Rua dos Desportistas, 918
Edifício JAT V-III 7º Floor
Maputo, Mozambique
Telephone : +258 21 343700
Email:

(c) CNOOC HONG KONG HOLDING LIMITED

Address: Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong
Telephone:
Email:

- 35.3 Subject to Article 33.4 each Party hereto may substitute or change the aforesaid addresses by giving written notice thereof to the others.
- 35.4 Each Concessionaire shall at all times maintain an address in Maputo for the purpose of service of notice.



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IN WITNESS WHEREOF, the Government and each Concessionaire have signed this EPCC in three (3) Portuguese language originals as of the date first herein above stated.

The Government

By: Estêvão Tomás Rafael Pale

Estêvão Tomás Rafael Pale

Minister of Mineral Resources and Energy

Date: 14/10/2025

Empresa Nacional de Hidrocarbonetos, E.P.

(1) By: [Signature]

Ludovina Bernardo

Chairman

Date: 14.10.2025

(2) By: [Signature]
Name: Dionice Charnussa Juane

Title: _____

Vice President Exploration and Production

Date: 14.10.2025

CNOOC HONG KONG HOLDING LIMITED

By: [Signature]

Name: Xu Zhigang

Title: Signatário Autorizado

Date: 14/10-2025



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ANNEX A

Description of EPCC Area

Area S6-B ~ 5883.67 Km²

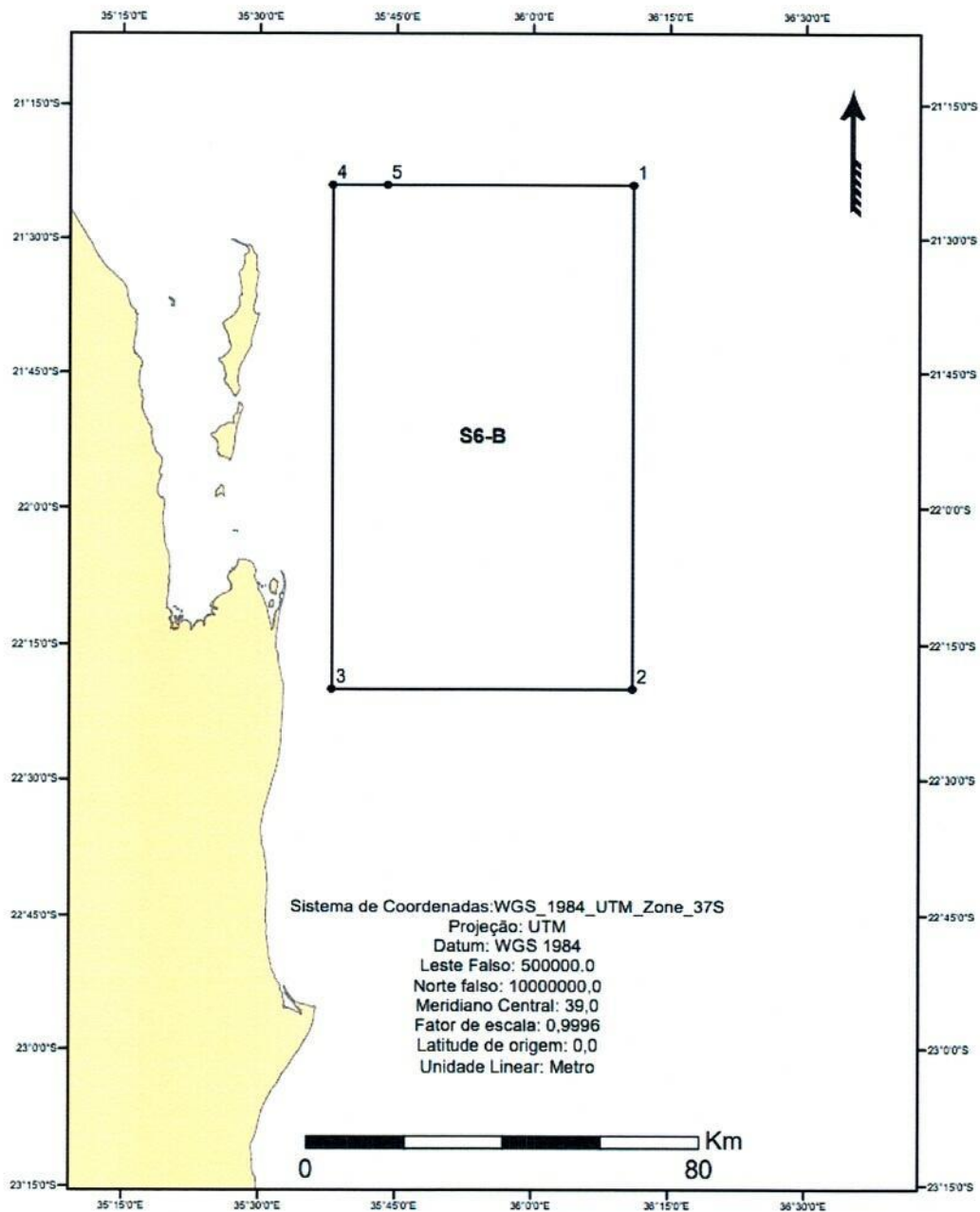
Point	Longitude	Latitude
1	35°38' 0.000" E	21°24' 0.000" S
2	35°44' 0.000" E	21°24' 0.000" S
3	36°11' 0.000" E	21°24' 0.000" S
4	36°11' 0.000" E	22°20' 0.000" S
5	35°38' 0.000" E	22°20' 0.000" S



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ANNEX B

Map of Contract Area



Annex "C"

EPCC Accounting and Financial Procedure

This Annex is attached to and made part of the Exploration and Production Concession Contract dated 14.10.2025 entered into between the Government of the Republic of Mozambique, CNOOC HONG KONG HOLDING LIMITED ("CNOOC") and Empresa Nacional de Hidrocarbonetos, E.P. (ENH) (hereinafter referred to as "the EPCC").

Section 1 General Provisions**1.1 Definitions**

For the purpose of this EPCC Accounting and Financial Procedures the terms used herein which are defined in applicable law, the EPCC or the Joint Operating Agreement shall have the same meaning when used in this EPCC Accounting and Financial Procedure.

1.2 Statements required to be submitted by the Concessionaires

- (a) Within ninety (90) days of the Effective Date, the Concessionaires shall submit to the Government a proposed outline of charts of accounts, operating records and reports, which outline shall be in accordance with applicable Mozambican law and generally accepted and recognised accounting principles, used in the international petroleum industry.

Within ninety (90) days of receiving the above submission Government shall either indicate its approval of the proposal or request revisions to the proposal.

Within one hundred and eighty (180) calendar days after the Government has approved the Concessionaires' proposals, the Concessionaires and Government shall approve an outline charts of accounts, operating records and reports which shall describe the basis of the accounting system and procedures to be developed and used under the EPCC. Following such approval, the Concessionaires shall expeditiously prepare and provide the Government with formal copies of the comprehensive charts of accounts related to the accounting, recording and reporting functions, and allow Government to examine the Concessionaires' manuals, if any, and to review procedures which are, and shall be, observed under the EPCC.

- (b) Notwithstanding the generality of the foregoing, the Concessionaires are required to make regular statements relating to the Petroleum Operations. These Statements are as follows:
- (i) Production Statement (see Section 5 of this Annex);
 - (ii) Value of Production and Petroleum Production Tax Statement (see Section 6 of this Annex);



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- (iii) Cost Recovery Statement (see Section 7 of this Annex);
 - (iv) LNG Price Statement (see Section 7 of this Annex);
 - (v) Statement of Expenditures and Receipts (see Section 8 of this Annex);
 - (vi) Final End-of-Year Statement (see Section 9 of this Annex);
 - (vii) Budget (see Section 10 of this Annex);
 - (viii) Long Range Plans (see Section 11 of this Annex).
- (c) All reports and statements will be prepared in accordance with the EPCC, applicable law and, where there are no relevant provisions in either of these, in accordance with generally accepted and recognised accounting principles used in the international petroleum industry.

1.3 Language and Units of Account

- (a) Accounts shall be maintained in United States dollars and such other currency as may be required under the applicable law. For cost recovery purposes, the currency of reference shall be the US Dollar. Metric units and barrels shall be employed for measurements required under this Annex.
- (b) Concessionaires may, subject to the authorization of the Minister responsible for the area of Finance, opt for the use of US dollars as presentation currency, preparing and maintaining the accounts in such currency, and this option shall not be changed during the life of the project provided that:
 - (i) the investments realised are equivalent or in excess of United States Dollars 500,000,000.00. Such investments are deemed to include all costs incurred as per the Cost Recovery Statement, and
 - (ii) at least 90 per cent of the Concessionaire's transactions are carried out in United States Dollars. The currency of the transactions is deemed to be the payment currency for the transactions.
- (c) Once the authorization of the Minister responsible for the area of Finance has been obtained, the accounting considered will be those in US Dollars, from the effective date of the Contract, and there is no need to convert the accounts in Meticaís to US Dollars
- (d) For the purposes of the preceding paragraph, the Concessionaire shall submit, since the effective date, to the competent entities of the Government the accounting in Meticaís and in US Dollars
- (e) The language used will be English and any other language that may be required under applicable law. When necessary, for clarification, the Concessionaire may also maintain accounts and records in other languages, units of measurement and currencies.
- (f) These Accounting and Financial Procedures are intended to ensure that neither the Government nor the Concessionaire obtain any gain or suffer any loss from the exchange



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rate variation to the detriment or benefit of the other. However, should any gain or loss occur as a result of a currency conversion, it will be credited or debited to accounts under the EPCC.

- (g) Amounts received and costs and expenditures made in Mozambican Meticaïs or in United States dollars shall be converted from Mozambican Meticaïs into United States dollars or from United States dollars into Mozambican Meticaïs on the basis of the average of the buying and selling exchange rates between the currencies in question as published by Banco de Moçambique or in accordance with the applicable law, prevailing on the actual day of the transaction on which such amounts are received and costs and expenditures are paid, or as agreed by the Parties.
- (h) Amounts received and costs and expenditures incurred in currencies other than Mozambican Meticaïs or in United States dollars shall be converted into United States dollars on the basis of the average of the buying and selling exchange rates between the currencies in question as published by the Wall Street Journal, or if not published by the Wall Street Journal, then by the Financial Times, prevailing on the actual day of the transaction on which such amounts are received and costs and expenditures are paid, or as agreed by the Parties.

1.4 Payments

- (a) Except as provided in Subsections 1.4(b) and (c), all payments between the Parties shall, unless otherwise agreed, be in United States dollars and through a bank designated by each receiving Party.
- (b) Payment of any tax by a Concessionaire shall be made in accordance with the provisions of the EPCC and the applicable law.
- (c) Discharge of a Concessionaire's obligation with respect to the Petroleum Production Tax and the Government's share of Profit Petroleum shall be made in accordance with the EPCC.
- (d) All sums due and payable in Meticaïs by a Concessionaire to the Government under the EPCC during any calendar month shall, for each day such sums are overdue during such month, bear interest compounded daily at an annual rate as required by Mozambican law.
- (e) All sums due and payable in other currencies by a Concessionaire to the Government under the EPCC during any calendar month shall, for each day such sums are overdue during such month, bear interest compounded monthly at an annual rate equal to SOFR or equivalent plus three (3%) percentage points.

1.5 Audit and Inspection Rights of the Government

- (a) Upon giving the Concessionaires thirty (30) calendar days' notice, the competent authority of the Government shall have the right to audit the Concessionaires' accounts and records maintained hereunder with respect to each calendar year within 5 (five) years from the end of each such calendar year. Notice of any exception to the Concessionaires' accounts of any calendar year must be submitted to the Concessionaires within five (5) years from the end of such calendar year. For purposes of auditing, the Government may



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examine and verify at reasonable times all charges and credits relating to the Petroleum Operations such as books of account, accounting entries, material records and any other documents, correspondence and records necessary to audit and verify the charges and credits. Furthermore, the auditors shall have the right in connection with such audit to visit and inspect, subject to reasonable notification, all sites, plants, facilities, warehouses and offices of the Concessionaires serving the Petroleum Operations including visiting personnel associated with those operations.

- (b) Without prejudice to the finality of matters as described in Subsection 1.5(a) all documents referred to in that sub-section shall be maintained and made available for inspection and audit by the Government for such a time as prescribed by the applicable law.
- (c) In the event that Government does not conduct an audit with respect to a calendar year or conducts the audit but does not issue an audit report within the time specified in Subsection 1.5 (a) above, Government shall be deemed not to have objected to the Cost Recovery Statement prepared and maintained by the Concessionaires and such Cost Recovery Statement shall be considered true and correct for Cost Recovery purposes for such calendar year save for manifest disregard of applicable procedure, fraud or wilful misconduct. In case where Government conducts a review and issues an audit report, Government shall be deemed not to have objected to the Cost Recovery Statement and such Cost Recovery Statement shall be considered true and correct for Cost Recovery purposes for such calendar year with respect to each item which is not the subject of an exception in such audit report, save for manifest disregard of applicable procedure, fraud or wilful misconduct.

Section 2 Classification, Definition and Allocation of Costs and Expenditures

All expenditures relating to the Petroleum Operations shall, subject to applicable law be classified, defined and allocated as follows:

2.1 Exploration Costs

Are all direct and allocated indirect costs incurred in relation to Exploration in the EPCC Area, including but not limited to:

- (a) Aerial, geophysical, geochemical, paleontological, geological, topographical and seismic surveys and studies and their interpretation.
- (b) Core hole drilling and drilling of water-Wells related to the Petroleum Operations.
- (c) Labour, materials and services used in drilling Wells with the object of finding new Petroleum Deposits or for the purpose of appraising the extent of Petroleum Deposits already discovered provided such Wells are not completed as Production Wells.
- (d) Facilities used solely in support of these purposes including access roads and purchased geological and geophysical information.
- (e) Service Costs allocated to the Exploration operations pursuant to applicable law or in absence of such law agreed to between the Government and the Concessionaires on a



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systematic basis and, failing agreement, to be determined by a sole expert in accordance with Article 26 of the EPCC.

- (f) General and Administrative Expenses allocated to the Exploration Operations pursuant to applicable law or in absence of such law agreed to between the Government and the Concessionaires on a systematic basis and, failing agreement, to be determined by a sole expert in accordance with Article 26 of the EPCC.

2.2 Development and Production Capital Expenditures

These shall consist of all expenditures incurred for Development and Production, including but not limited to:

- (a) Drilling of Wells which are completed as producing Wells and drilling of Wells for purposes of Production from a Petroleum Deposits already discovered whether these Wells are dry or producing.
- (b) Completing of Wells by way of installation of casing or equipment or otherwise after a Well has been drilled for the purpose of bringing the Well into use as a producing Well.
- (c) Intangible drilling costs such as labour, consumable material and services having no salvage value which are incurred in drilling and deepening of Wells for Production purposes.
- (d) The costs of construction and installation of Facilities for Petroleum Operations pursuant to the approved Development Plan, such as: flow lines, Production and treatment units, Wellhead equipment, subsurface equipment, enhanced recovery systems, offshore platforms including floating units, onshore or offshore liquefaction, storage and offloading Facilities, Petroleum storage facilities, export terminals and piers, harbours and related facilities, access roads for Production activities.
- (e) Engineering and design studies for Facilities for Petroleum Operations.
- (f) Service Costs allocated to Development and Production on a basis determined by applicable law or in absence of such law agreed to between the Government and the Concessionaires on a systematic basis and, failing agreement, to be determined by a sole expert in accordance with Article 26 of the EPCC.
- (g) General and Administrative Expenses allocated to the Development and Production on a basis determined by applicable law or in absence of such law, agreed to between the Government and the Concessionaires on a systematic basis and, failing agreement, to be determined by a sole expert in accordance with Article 26 of the EPCC.

2.3 Operating Costs

These are all expenditures incurred in the Petroleum Operations after the start of the Commercial Production which are other than Exploration Costs, Development and Production Capital Expenditures, General and Administrative Expenses and Service Costs, including but not limited to:



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- (a) Operating, servicing, maintaining and repairing Production and injection Wells and all Facilities for Petroleum Operations pursuant to the approved Development Plan, which are completed during the Development and Production.
- (b) Planning, producing, controlling, measuring and testing the flow of Petroleum and collecting, gathering, treating, storing and transferring the Petroleum from the Petroleum Deposits to the Delivery Point.
- (c) The balance of General and Administrative Expenses and Service Costs not allocated to the Exploration operations or the Development and Production.

2.4 Service Costs

These are direct and indirect expenditures in support of the Petroleum Operations including warehouses, offices, camps, piers, marine vessels, vehicles, motorised rolling equipment, aircraft, fire and security stations, workshops, water and sewage plants, power plants, housing, community and recreational facilities and furniture, tools and equipment used in these activities. Service costs in any calendar year shall include the total costs incurred in such year to purchase and/or construct said facilities as well as the annual costs to maintain and operate the same. All Service Costs will be regularly allocated as specified in Subsections 2.1(e), 2.2(f) and 2.3 to Exploration Costs, Development and Production Capital Expenditures and Operating Costs.

Service Costs incurred during the period commencing with the Effective Date and ending with the date of approval by MIREME of the first Development Plan for a proposed Development and Production Area, shall be fully allocated to Exploration Cost. Commencing with the date of approval by MIREME of the first Development Plan for a proposed Development and Production Area, and if it becomes necessary allocate Service Costs to or between Petroleum Operations, such allocation shall be made on an equitable basis in accordance with applicable law, or in absence of such law, agreed to between the Government and the Concessionaires on a systematic basis and, failing agreement, the allocation to be determined by a sole expert in accordance with Article 26 of the EPCC.

The Concessionaires shall furnish a description of its allocation procedures pertaining to Service Costs, along with each proposed Development Plan.

2.5 General and Administrative Expenses

- (a) All main office, field office and general administrative costs in the Republic of Mozambique including but not limited to supervisory, accounting and employee relations services.
- (b) An overhead charge for services rendered outside the Republic of Mozambique for managing the Petroleum Operations and for staff advice and assistance including financial, legal, accounting and employee relations services. This charge shall be five percent (5%) of contract costs up to five million US dollars (US\$5,000,000), three percent (3%) of that portion of Contract Costs between five million US dollars (US\$5,000,000) and ten million US dollars (US\$10,000,000) and one and one half percent (1.5%) of the Contract Costs which are in excess of ten million US dollars (US\$10,000,000). The Contract Costs referred to herein shall include all Exploration Costs, Development and Production Capital Expenditures, Operating Costs and Service Costs.



- (c) All General and Administrative Expenses will be regularly allocated as specified in Subsections 2.1(f), 2.2(g) and 2.3 to Exploration Costs, Development and Production Capital Expenditures and Operating Costs.

General and Administrative Expenses incurred during the period commencing with the Effective Date and ending with the date of approval by the Government of the first Development Plan for a proposed Development and Production Area, shall be fully allocated to Exploration Cost. Commencing with the date of approval by the Government of the first Development Plan for a proposed Development and Production Area, if it becomes necessary to allocate General and Administrative Expenses to or between Petroleum Operations, such allocation shall be made on an equitable basis agreed between the Parties in accordance with applicable law, failing agreement, the allocation to be determined by a sole expert in accordance with Article 26 of the EPCC.

Concessionaires shall furnish a description of its allocation procedures pertaining to General and Administrative Expenses, along with each proposed Development Plan.

2.6 Decommissioning Fund

For the purpose of costs related to the implementation of a Decommissioning Plan a Decommissioning Fund shall be established for each Development and Production Area, commencing from the calendar quarter in whichever of the following situations first occur:

- (a) the Petroleum Produced has reached 50% of the aggregate recoverable reserves as determined in an approved Development Plan and any successive reappraisal of such initial recoverable reserves; or
- (b) five (5) years prior to the expiry or surrender of this EPCC or the use of any facility for the purpose of extracting Petroleum from a Production and Development Area within this EPCC is permanently terminated.

For every subsequent calendar quarter in which Petroleum is produced, the Concessionaires shall charge as Operating Costs a portion of the estimated future cost of Decommissioning.

The amount to be deposited in the Decommissioning Fund for a calendar quarter shall be charged as Operating Costs subject to the Cost Recovery limitation stipulated in applicable law and Article 9.6 of the EPCC and calculated in the following manner:

QD = (ECD X CPP/EPR) – DFB where:

QD is the amount of funds to be transferred to the Decommissioning Fund in respect of the relevant calendar quarter;

ECD is the estimated cost of Decommissioning pursuant to the preliminary Decommissioning Plan approved by the Government;

EPR is the estimated remaining Petroleum reserves to be recovered from the Development and Production Area to which the preliminary Decommissioning Plan apply, at the end of the calendar quarter in which the Decommissioning Fund was opened;

CPP is the cumulative Production of Petroleum from the Development and Production Area to which the preliminary Decommissioning Plan apply from the end of the calendar quarter in which the Decommissioning Fund was opened.



DFB is the Decommissioning Fund balance at the end of the previous calendar quarter.

Section 3 Costs, Expenses, Expenditures and Credits of the Concessionaires

3.1 Costs recoverable without further approval of the Government

Subject to the provisions of the EPCC and applicable law, the Concessionaires shall bear and pay the following costs and expenses in respect of the Petroleum Operations. These costs and expenses will be classified under the headings referred to in Section 2. They are recoverable by the Concessionaires under the EPCC and include, but are not limited to the following:

(a) Surface Rights

This covers all direct costs attributable to the acquisition, renewal or relinquishment of surface rights acquired and maintained in force for the EPCC Area.

(b) Labour and Associated Labour Costs

- (i) gross salaries and wages including bonuses and premiums of the Concessionaire's employees directly engaged in the Petroleum Operations, irrespective of the location of such employees, it being understood that in the case of those personnel only a portion of whose time is dedicated to the Petroleum Operations, only that pro-rata portion of applicable salaries, wages and fringe benefits will be charged;
- (ii) the Concessionaire's costs regarding holiday, vacation, sickness, severance unless for dismissal of an employee without cause as determined by a court or arbitral body of competent jurisdiction and disability, retirement and survival payments applicable to the salaries and wages chargeable under (i) above. In respect of the severance, retirement, and survival payments mentioned above, the amount that will be cost recoverable shall be in proportion of the total time the employee was directly engaged in the Petroleum Operations on a full time basis to the employee's total tenure with the Concessionaire and its Affiliates. If it becomes necessary to allocate these amounts to or between Petroleum Operations, such allocation shall be made on an equitable basis in accordance with applicable law, in the absence of such law as agreed between the Government and the Concessionaires and, failing agreement, the allocation to be determined by a sole expert in accordance with Article 26 of the EPCC;
- (iii) expenses or contributions made pursuant to assessments or obligations imposed under the applicable law which are applicable to the Concessionaire's cost of salaries and wages chargeable under (i) above;
- (iv) the Concessionaire's cost of established plans for employees' life insurance, hospitalisation, pensions, and other benefits of a like nature customarily granted to the Concessionaire's employees;
- (v) reasonable travel and personal expenses of employees of the Concessionaire including those made for travel and relocation of the expatriate employees and



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their families assigned to the Republic of Mozambique, all of which shall be in accordance with the Concessionaire's normal practice;

(c) Transport of employees and materials

The cost for transport of employees, equipment, materials and supplies necessary for the conduct of the Petroleum Operations.

(d) Charges for Services

(i) Third Party Contracts

Subject to the rules defined in applicable law, the actual costs of contracts for technical and other services entered into by the Concessionaires for the Petroleum Operations, made with third parties other than Affiliated Companies of the Concessionaires are recoverable, provided that the prices paid by the Concessionaires are no higher than those generally charged by other international or domestic suppliers for comparable work and services.

(ii) Affiliated Companies of a Concessionaire

Without prejudice to the charges to be made in accordance with Subsection 2.5, in the case of services rendered to the Petroleum Operations by an Affiliated Company of a Concessionaire, the charges will be based on actual costs and will be competitive. The charges will be no higher than the most favourable prices charged by the Affiliated Company to third parties for comparable services under similar terms and conditions elsewhere. The Concessionaire shall specify the amount of the charges which contributes an allocated proportion of the general material, management, technical and other costs of the Affiliated Company, and the amount which is the direct cost of providing the services concerned. If necessary, certified evidence regarding the basis of prices charged may be obtained from the auditors of the Affiliated Company.

(e) Materials

(i) General Principle

Subject to applicable law and so far as is practicable and consistent with efficient, economical and internationally accepted operational requirements, only such material shall be purchased or furnished by the Concessionaires for use in the Petroleum Operations as may be required for use in the reasonably foreseeable future and to the extent that such purchase or supply are in accordance with the EPCC.

(ii) Warranty of Material

The Concessionaires does not warrant material beyond the supplier's or manufacturer's guarantee and, in case of defective material or equipment, any adjustment received by the Concessionaires from the suppliers/ manufacturers or their agents will be credited to the accounts under the EPCC.

(iii) Value of material charged to the accounts under the EPCC



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- (a) Except as otherwise provided in (b) below material purchased by the Concessionaires for use in the Petroleum Operations shall be valued to include invoice price less trade and cash discounts (if any), purchase and procurement fees plus freight and forwarding charges between point of supply and point of shipment, freight to port of destination, insurance, taxes, customs duties, consular fees, other items chargeable against imported material and where applicable handling and transportation expenses from point of importation to warehouse or operating site, and its costs should not exceed those currently prevailing in normal arms-length transactions on the open market.
- (b) Materials purchased from Affiliated Companies of a Concessionaire shall be charged at the prices specified in items (1) and (2) hereof.
- (1) New material (condition "A") shall be valued at the current international price which should not exceed the price prevailing in normal arms-length transactions on the open market.
- 2) Used material (conditions "B" and "C")
- (i) material which is in sound and serviceable condition and is suitable for reuse without reconditioning shall be classified as condition "B" and priced at seventy-five percent (75%) of the current price of new materials defined in (1) above.
- (ii) material which cannot be classified as condition "B" but which:
- (a) after reconditioning will be further serviceable for original function as good second-hand material condition "B", or
- (b) is serviceable for original function but substantially not suitable for reconditioning, shall be classified as condition "C" and priced at fifty percent (50%) of the current price of new material as defined in (1) above. The cost of reconditioning shall be charged to the reconditioned material provided that the condition "C" material value plus the cost of reconditioning does not exceed the value of condition "B" material.
- (iii) material which cannot be classified as condition "B" or condition "C" shall be priced at a value commensurate with its use.
- (iv) material involving erection costs shall be charged at the applicable percentage, in accordance to its condition, of the current dismantled price of new material as defined in (1) above.
- (v) when the use of material is temporary and its use in the Petroleum Operations does not justify the reduction in price as provided for in (2) (ii) hereof, such material shall be priced on a basis that will result in a net charge to the accounts under the EPCC consistent with the value of the service provided.



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(f) Rentals, Duties and Other Assessments

All rentals, taxes, levies, charges, fees, contributions and any other assessments and charges by the Government or entities of its political subdivisions, agencies and instrumentalities, to the extent that they have or may acquire the power to do so, in connection with the Petroleum Operations and paid directly or indirectly by the Concessionaires with the exception of the Corporate Income Tax imposed on the Concessionaires.

(g) Insurance and Losses

Insurance premia and costs incurred for insurance arranged in accordance with the EPCC provided that if such insurance is wholly or partly placed with an Affiliated Company of the Concessionaires, such premia and costs shall be recoverable only to the extent generally charged by insurance companies other than an Affiliated Company of the Concessionaires. Costs and losses incurred as a consequence of events which are, and in so far as, not made good by insurance obtained under the EPCC are recoverable under the EPCC.

(h) Legal Expenses

All costs and expenses of litigation and legal or related services necessary or expedient for the procuring, perfecting, retention and protection of the EPCC Area, and in defending or prosecuting lawsuits involving the EPCC Area or any third party claim arising out of activities under the EPCC, or sums paid in respect of legal services necessary or expedient for the protection of joint interest of the Government and the Concessionaires are recoverable. Where legal services are rendered in such matters by salaried or regularly retained lawyers of the Concessionaires or an Affiliated Company of the Concessionaires, such compensation will be included instead under Subsection 3.1(b) or 3.1(d) above, as applicable.

(i) Training Costs

All costs and expenses incurred by the Concessionaires in training of its employees located in Mozambique and engaged in the Petroleum Operations pertaining to activities in the EPCC Area and such other training as required under the EPCC or applicable law.

(j) General and Administrative Expenses

The costs described in Subsection 2.5(a) and the charge described in Subsection 2.5(b).

(k) The costs of any guarantee required by the Government under the EPCC.

(l) Payments into the Decommissioning Fund and cost incurred for decommissioning according to applicable law and the EPCC.

3.2 Costs not recoverable under the EPCC

(a) Petroleum marketing or transportation costs of Petroleum beyond the Delivery Point.

(b) Costs of arbitration and the independent expert under Article 26 of the EPCC.

(c) Petroleum Production Tax and Corporate Income Tax.

(d) Fines and penalties imposed by any public authority in the Republic of Mozambique or elsewhere.



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- (e) Interests and other financial costs.

3.3 Recoverability and Deductibility

The determination of whether the costs and expenses set forth herein are recoverable or non-recoverable shall apply only to this EPCC, and shall not be interpreted to preclude the Concessionaires from deducting said amounts in computing its net income from the Petroleum Operations for Corporate Income Tax purposes under applicable law.

3.4 Credit under the EPCC

The net proceeds of the following transactions will, subject to applicable law, be credited to the accounts under the EPCC:

- (a) The net proceeds of any insurance or claim in connection with the Petroleum Operations or any assets charged to the accounts under the EPCC when such operations or assets were insured and the premia charged to the accounts under the EPCC.
- (b) Revenue received from outsiders for the use of property or assets charged to the accounts under the EPCC.
- (c) Any adjustment received by the Concessionaires from the suppliers/manufacturers or their agents in connection with defective material the cost of which was previously charged by the Concessionaires to the accounts under the EPCC.
- (d) Rentals, refunds or other credits received by the Concessionaires which apply to any charge which has been made to the accounts under the EPCC.
- (e) The amounts received for inventory materials under the EPCC and subsequently exported from the Republic of Mozambique without being used in the Petroleum Operations.
- (f) Legal expenses charged to the accounts under Subsection 3.1(h) and subsequently recovered by the Concessionaires.

3.5 Duplication of Charges and Credits

Notwithstanding any provision to the contrary in this Accounting and Financial Procedure, there shall be no duplication of charges or credits in the accounts under the EPCC.

3.6 Priority of Recoverable Costs

Costs recoverable pursuant to applicable Mozambican Petroleum law and the EPCC shall be recovered in the following order of priority:

- (a) Operating Costs pursuant to Section 2.3
- (b) Exploration Costs pursuant to Section 2.1;
- (c) Development and Production Capital Expenditures pursuant to Section 2.2;
- (d) Payments into the Decommissioning Fund pursuant to Section 2.6;
- (e) Any other costs recoverable pursuant to Subsection 2.4, 2.5.



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Section 3-A Deductions

3-A.1 For purposes of Article 10.5 of the EPCC (Valuation of Petroleum), Deductions are the following items to the extent incurred by Concessionaires:

- (a) for Petroleum Production Tax, only costs of Transportation, (including loading and unloading), and insurance for shipping LNG cargos to LNG buyers
- (b) for Disposable Petroleum:
 - (i) shipping costs (such as payments under charter party agreements for LNG vessels, including any associated shipping charges), if any;
 - (ii) any costs, expenses, losses or liabilities incurred in connection with, or arising from, performance under relevant LNG sales and purchase agreements with third party LNG buyers; and
 - (iii) any other deductions as agreed between the Government and the Concessionaires.

3-A.2 To the extent any of the above amounts are incurred as a result of Gross Negligence or Wilful Misconduct of Concessionaires, Operator or an Affiliated Company, such amounts are not permitted as Deductions.

3-A.3 Where a Deduction is an amount payable to an Affiliated Company, in accordance with Subsection 3.1(d)(ii) shall apply, mutatis mutandis, in determining such Deduction.

3-A.4 Costs incurred by Concessionaires which are within the scope of the overhead charge in subsection 2.5(b) shall not be charged as Deductions.

Section 4 Records and Valuation of Assets

The Concessionaires shall maintain detailed records of property in use for the Petroleum Operations in accordance with applicable law and normal practice in Exploration and Production activities of the international petroleum industry. At reasonable intervals but at least once a year with respect to movable assets with an individual value equal to or greater than US\$ 10,000 (ten thousand US dollars) per unit and once every five (5) years with respect to immovable assets, inventories of the property under the EPCC shall be taken by the Concessionaires. The Concessionaires shall give the INP at least thirty (30) days written notice of its intention to take such inventory and the INP shall have the right to be represented when such inventory is taken. The Concessionaires will clearly state the principles upon which valuation of the inventory has been based. When an assignment of rights under the EPCC takes place a special inventory may be taken by the Concessionaires at the request of the assignee provided that the costs of such inventory are borne by the assignee.

Section 5 Production Statement

5.1 Subsequent to the commencement of Commercial Production from the EPCC Area, the Concessionaires shall submit a monthly Production statement (hereinafter referred to as



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the "Production Statement") to the INP showing the following information for each Development and Production Area:

- (a) The quantity of Crude Oil produced.
- (b) The quantity of Natural Gas produced.
- (c) The quantities of Petroleum used for the purposes of Petroleum Operations, without prejudice to the specificities of item 5.1 (g) (iii) below.
- (d) The quantities of Natural Gas flared.
- (e) The size of Petroleum stocks held at the beginning of the month.
- (f) The size of Petroleum stocks held at the end of the month;
- (g) Where Natural Gas sold as LNG:
 - (i) quantities of Natural Gas delivered at the inlet flange, expressed in MMscf / MMsm³;
 - (ii) quantities loaded into LNG vessels at the Delivery Point, net of vapour return, expressed in m³;
 - (iii) quantities used or lost in the LNG plant, expressed in m³;
 - (iv) the size of stocks of LNG held at the beginning of the month, expressed in m³;
 - (v) the size of stocks of LNG held at the end of the month, expressed in m³;
- (h) Any other relevant information as may be required under the applicable law.

5.2 The Production Statement of each calendar month shall be submitted to the Government no later than twenty (20) calendar days after the end of such calendar month.

Section 6 Value of Production and Petroleum Production Tax Statement

6.1 The Concessionaires shall prepare and submit to the Ministries with authority over the Petroleum sector and the finance sector a statement covering the determination of the fair market value of Crude Oil and Natural Gas (including LNG), respectively, produced during each calendar month and the value of the Petroleum Production Tax payable to the Government. This statement shall contain the following information:

- (a) The quantities and prices realised therefor by the Concessionaires a result of sales of Crude Oil and Natural Gas respectively to third parties made during the calendar month in question.
- (b) The quantities and the prices realised therefor by the Concessionaires as a result of sales of Crude Oil and Natural Gas respectively made during the calendar month in question, other than to third parties.



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- (c) The quantity of stocks of Crude Oil and if applicable Natural Gas at the end of the preceding calendar month.
 - (d) The quantity of stocks of Crude Oil and if applicable Natural Gas at the end of the calendar month in question.
 - (e) The total Petroleum Production Tax liability for Crude Oil and Natural Gas respectively for the calendar month.
 - (f) Published information available to the Concessionaires, when requested by the Government, concerning the prices of Crude Oil or Natural Gas produced by the main petroleum producing and exporting countries including contract prices, discounts and premia, and prices obtained on the spot markets.
- 6.2 The statement of Value of Petroleum Produced and Petroleum Production Tax Statement of each calendar month shall be submitted to the Ministries with authority over the Petroleum sector and the finance sector not later than twenty (20) calendar days after the end of such calendar month.
- 6.3 In the case of Natural Gas or LNG sales and delivery on terms other than free on board (FOB), the Value of Production and Petroleum Production Tax Statement:
- (i) shall be based on sales for which the delivery fell in the calendar month in question;
 - (ii) shall show the quantities of LNG loaded and unloaded, and quantities of LNG boil-off, used as fuel or lost in transporting LNG and heel quantities, and the inventory of LNG afloat; and
 - (iii) shall refer to the statement of Deductions.

Section 7 Cost Recovery Statement

- 7.1 The Concessionaires shall prepare and submit to the Ministries with authority over the sector and the finance sector with respect to each calendar quarter a cost recovery statement (hereinafter referred to as the "Cost Recovery Statement") containing the following information:
- (a) Recoverable costs carried forward from the previous quarter, if any.
 - (b) Recoverable costs for the quarter in question.
 - (c) Total recoverable costs for the quarter in question (Subsection 7.1(a) plus Subsection 7.1(b)).
 - (d) Quantity and value of Cost Petroleum taken proportionally in Crude Oil and Natural Gas (including LNG) by each Concessionaire for the quarter in question.
 - (e) EPCC costs recovered for the quarter in question.



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(f) Total cumulative amount of EPCC costs recovered up to the end of the quarter in question.

(g) Amount of recoverable EPCC costs to be carried forward into the next quarter.

- 7.2 The Cost Recovery Statement of each quarter shall be submitted to the Ministries with authority over the Petroleum sector and the finance sector no later than sixty (60) calendar days after the end of such quarter.

Section 7A Crude Oil, Natural Gas or LNG Price Statement

7A.1 Where Crude Oil or Natural Gas, including as LNG is delivered, the Concessionaires shall prepare with respect to each calendar month and submit to the Ministries with authority over the Petroleum and the finance sector a Price Statement which will include the following:

- (a) the basis on which the price is calculated for each sale under the relevant sales and purchase agreement;
- (b) Deductions incurred and attribution of Deductions to the calendar month in question;
- (c) quantities loaded at the Delivery Point; and
- (d) a calculation of the value based on (a) to (c) above.

In the event Concessionaires discovers an error or omission in a previous period, if any, such adjustment will be made to the following Price Statement.

7A.2 The Price Statement of each calendar month shall be submitted to the Ministries with authority over the Finance sector and the Petroleum sector within ten (10) business days after the end of such calendar month.

Section 8 Statement of Expenditure and Receipts

8.1 The Concessionaires shall prepare with respect to each calendar quarter a statement of expenditures and receipts under the EPCC (hereinafter referred to as the "Statement of Expenditure and Receipts"). The statement will distinguish between Exploration Costs, Development and Production Capital Expenditures and Operating Costs and Decommissioning costs including amounts drawn from the Decommissioning Fund and will identify major items of expenditures within these categories. The statement will show the following:

- (a) Actual expenditures and receipts for the quarter in question.
- (b) Cumulative expenditure and receipts for the budget year in question.
- (c) Latest forecast cumulative expenditures at the year end.
- (d) Variations between budget forecast and latest forecast and explanations thereof.



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- 8.2 The Statement of Expenditure and Receipts of each calendar quarter shall be submitted to the Government no later than thirty (30) calendar days after the end of such quarter.

Section 9 End-of-Year Statement

The Concessionaires will prepare an End-of-Year Statement. The statement will contain information as provided in the Production Statement, Value of Production and Petroleum Production Tax Statement, Cost Recovery Statement and Statement of Expenditures and Receipts but will be based on actual quantities of Petroleum produced and expenses incurred. Based upon this statement, any adjustments that are necessary will be made to the payments made by the Concessionaires under the EPCC. The End-of-Year Statement of each calendar year shall be submitted to the Government within ninety (90) calendar days of the end of such calendar year.

Section 10 Budget

- 10.1 The Concessionaires shall prepare an annual budget statement (hereinafter referred to as the "Budget"). This will distinguish between Exploration Costs, Development and Production Capital Expenditures and Operating Costs and will show the following:
- (a) Forecast expenditures and receipts for the budget year under the EPCC.
 - (b) Forecast cumulative expenditures and receipts to the end of the said budget year.
 - (c) A schedule showing the most important individual items of forecast Development and Production Capital Expenditures for the said budget year.
- 10.2 The Budget Statement shall be submitted to the Government with respect to each budget year no less than ninety (90) calendar days before the start of the year except in the case of the first year of the EPCC when the Budget Statement shall be submitted within sixty (60) calendar days of the Effective Date.
- 10.3 It is recognised by the Concessionaires and the Government that the details of the Budget Statement may require changes in the light of existing circumstances and nothing herein contained shall limit the flexibility to make such changes. Consistent with the foregoing, the revision of said Statement is provided for annually.
- 10.4 Where Natural Gas is sold as LNG the Budget Statement shall include forecast Deductions.

Section 11 Long Range Plan and Forecast

The Concessionaires shall prepare and submit to the Government either one or both of the following two (2) long range plans, whichever is appropriate:



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11.1 Exploration Plan

During the Exploration Period, the Concessionaires shall prepare an Exploration Plan for the current year and next calendar year commencing as of the first day of January following the Effective Date (hereinafter referred to as the "Exploration Plan") which shall contain the following information:

- (a) Estimated Exploration Costs showing outlays for each of the calendar years covered by the Exploration Plan.
- (b) Details of seismic operations planned for each such year.
- (c) Details of all drilling activities planned for each such year.
- (d) Details of infrastructure utilisation and requirements.

The first such Exploration Plan shall also include the above information for the period starting on the Effective Date and ending on the last day of December of that calendar year.

The Exploration Plan shall be revised at the beginning of each calendar year following of the Effective Date. The Concessionaires shall prepare and submit to the Government the first Exploration Plan within sixty (60) calendar days of the Effective Date and thereafter shall prepare and submit to the Government no less than ninety (90) calendar days before the end of each calendar year following the Effective Date a revised Exploration Plan.

11.2 Development Forecast

The Concessionaires shall prepare a development forecast for each period of five (5) calendar years (hereinafter referred to as the "Development Forecast") commencing as of the first day of January following the date when the first Development Plan is approved and the Concessionaires commences the implementation of such plan.

The Development Forecast shall contain the following information:

- (a) Forecast of Development and Production Capital Expenditures for each of the five (5) calendar years.
- (b) Forecast of Operating Costs for each such calendar year.
- (c) Forecast of Petroleum Production for each such calendar year.
- (d) Forecast of number and types of personnel employed in the Petroleum Operations in the Republic of Mozambique.
- (e) Description of proposed Petroleum marketing arrangements and marketing strategy.
- (f) Description of main technologies employed.
- (g) Description of working relationship of the Concessionaires to the Government.

The Development Forecast shall be revised at the beginning of each calendar year commencing as of the second year of the first Development Forecast. The Concessionaires shall prepare and submit to the Government the first Development Forecast within one hundred and twenty (120) calendar days of the date when the first Development Plan is approved and the Concessionaires commences the implementation of such plan and thereafter shall prepare and submit a revised Development Forecast to the Government no later than forty-five (45) calendar days before each calendar year commencing as of the second year of the first Development Forecast.



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11.3 Changes of Plan and Forecast

It is recognised by the Concessionaires and the Government that the details of the Exploration Plan and Development Forecast may require changes in the light of existing circumstances and nothing herein contained shall limit the flexibility to make such changes. Consistent with the foregoing the revision of said Plan and Forecast is provided for annually.

Section 12 Revision of Accounting and Financial Procedures

The provisions of this Accounting and Financial Procedure may be amended only in accordance with the EPCC. Any such amendments shall be made in writing and shall state the date upon which the amendments shall become effective.

Section 13 Conflict with the EPCC

In the event of any conflict between the provisions of this Accounting and Financial Procedure and the EPCC, the provisions of the EPCC shall prevail.



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ANNEX "D"**Bank Guarantee**

[Date]

Ministry of Mineral Resources and Energy
The Minister of Mineral Resources and Energy
Avenida Zedequias Manganhela,
Porta n.516, 16º Andar, Torre 1
Caixa Postal 4724 Maputo, Mozambique

1. We understand that on _____ 2025, the Government of the Republic of Mozambique, Empresa Nacional de Hidrocarbonetos, (ENH) E.P and CNOOC HONG KONG HOLDING LIMITED (the latter also the "Guaranteed Party") entered into an Exploration and Production Concession Contract for Area S6B in Mozambique (the "EPCC"). For purposes of this Bank Guarantee, ENH and the Guaranteed Party are collectively referred to as the "Concessionaires". Capitalised words not defined in this Bank Guarantee shall have the meaning ascribed to them in the EPCC.
2. We, the undersigned [BANK LEGAL NAME] (the "Bank"), hereby, save for the conditions stipulated below in clause 5, unconditionally and irrevocably guarantee in favour of the Government of the Republic of Mozambique (the "Government") the due and punctual payment of all sums owed to the Government and unpaid by the Guaranteed Party in respect of the Concessionaires' failure to fulfil the Exploration work commitment in relation to the sub-period of the Exploration Period, up to a maximum of United States Dollars _____ (US\$ ___,000,000).
3. The guarantee amount referred to in clause 2 above shall be reduced from time to time upon delivery to the Bank of a certificate from the Guaranteed Party countersigned on behalf of the Government setting forth the amount of such reduction based on completion of the corresponding items of the Exploration work commitment determined according to Article 4 of the EPCC.



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4. This Bank Guarantee shall become effective on the Effective Date of the EPCC and shall terminate on the expiry of the sub-period of the Exploration Period, or such earlier time as the total of the reductions during such sub-period of the Exploration Period equal the guarantee amount referred to in clause 2 above.
5. Demands may be made under this Bank Guarantee by the Government by delivering to the Bank a Government's written statement setting forth the amount claimed and certifying that the amount claimed represents the amount due and owed by the Guaranteed Party in respect of the Concessionaire's failure under the EPCC to fulfil the Exploration work commitment in relation to the sub-period of the Exploration Period, and that:
- (a) the Concessionaire has failed to complete the Exploration work commitment in relation to the relevant Exploration Period;
 - (b) the Guaranteed Party has been notified, in writing, by the Minister of Mineral Resources and Energy, by registered letter or courier (a copy of which to be attached to such written statement), of Concessionaire's non-compliance and the details thereof, and has been advised that a drawing is being made against this unconditional and irrevocable Bank Guarantee; and
 - (c) the Concessionaire has been provided a minimum of fourteen (14) days to correct the conditions of non-compliance and has failed to do so.
6. Upon its cancellation or expiry, this Bank Guarantee shall be returned to the Guaranteed Party.

The duly authorised representative of the Bank has executed this Bank Guarantee on this ____ day of _____ 20[].

Very truly yours,

for and on behalf of
[BANK LEGAL NAME]



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ANNEX "E"

Parent Company Guarantee

THIS GUARANTEE is made the day of 2025

BY

- (1) **CNOOC Hong Kong Holding Limited**, a [limited liability company] established under the laws of Hong Kong (the "**Guarantor**"), in favour of
- (2) **THE GOVERNMENT OF THE REPUBLIC OF MOZAMBIQUE**, herein represented by the Minister for Mineral Resources and Energy (the "**Government**" or "**Beneficiary**");

WHEREAS

- A On _____, the Government, CNOOC Hong Kong Holding Limited and Empresa Nacional de Hidrocarbonetos, E.P. (ENH) entered into an Exploration and Production Concession Contract for Area S6B offshore of Mozambique (the "**EPCC**").
- B The Guarantor is the parent company of [.....] (the "**Company**")
- C The Government requires that the due and proper performance of the Company Obligations shall be guaranteed by the Guarantor under the terms of this Guarantee and the Guarantor is willing to grant this Guarantee.

NOW IT IS HEREBY AGREED AS FOLLOWS:

1 DEFINITIONS AND INTERPRETATION

- 1.1 The definitions stipulated in the Petroleum Law, the Petroleum Operations Regulations and the EPCC main document applies to this document. Words referred to in the singular shall include the plural and *vice versa*. The following words and terms including derivatives thereof shall have the meaning in this Guarantee ascribed to them below:
- 1.2 "**Company Obligations**" means all the obligations, including right of recourse against the Company, that the Company at any time has committed to fulfil and all liability for loss or damages suffered or incurred by the Government, including claims by third parties against the Government, under the EPCC and the applicable law and related to or arising out of the Company's activities or omissions during any period of the EPCC including final implementation of Decommissioning and disposal of Facilities and related responsibilities thereto.

2 GUARANTEE

- 2.1 The Guarantor irrevocably and unconditionally guarantees that if the Company fails, in whole or in part, to perform any of the Company Obligations or if the Company is in breach of any Company Obligation the Guarantor shall following a demand made in accordance with clause 3, take such steps as shall be necessary:



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- (a) to perform such Company Obligation or remedy such breach of a Company Obligation; or
 - (b) where such failure or breach is not capable of remedy, the Company shall restore or comply with its Obligation.
- 2.2 This Guarantee shall become effective thirty (30) days after the Effective Date of the EPCC and shall remain in full force and effect up until and including the date when all Company Obligations and liabilities have been fulfilled and all relevant Petroleum Operations subject to the applicable law and the EPCC have been completed, including the full completion of the Decommissioning Plan.
- 2.3 Upon termination of this Guarantee the Guarantor shall have no further liability whatsoever to the Beneficiary under or in connection with this Guarantee save in respect of any breach notified by the Beneficiary in accordance with clause 3 this Guarantee prior to its termination.

3 DEMANDS

- 3.1 The Beneficiary shall notify the Guarantor in writing if the Company fails, in whole or in part, to perform a Company Obligation or if a breach of a Company Obligation has occurred or if a claim by a Third Party Claimant has not been satisfied and such notice shall contain a description of such failure to perform, such breach or such claim.
- 3.2 Subject to clauses 4 and 7 of this Guarantee, if the Company fails to perform or remedy a breach specified in a notice given under clause 3.1 within fourteen (14) days of receipt of such notice by the Guarantor, the Beneficiary may then make a demand in writing to the Guarantor that shall (i) set out the alleged failure to perform or breach of the Company Obligation(s) or (ii) describe the alleged claim of a Third Party Claimant that has not been satisfied, and (iii) require the Guarantor to take such steps as are provided in clause 2.1 of this Guarantee.

4 RIGHTS AND OBLIGATIONS

- 4.1 The Beneficiary shall be obliged before exercising any of the rights, powers or remedies conferred upon it in respect of the Guarantor by this Guarantee or by law:
 - 4.1.1 to notify the Company of the failure to perform or the breach of a Company Obligation;
 - 4.1.2 if the Company disputes the breach or claim notified by the Government, to have obtained an arbitral award or expert determination confirming such breach by the Company or such claim notified by Government; and
 - 4.1.3 to make or file any claim or proof in winding-up or dissolution of the Company (to the extent applicable).



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5 LIMITATIONS

- 5.1 The obligations of the Guarantor under this Guarantee shall not be discharged or impaired by any act or omission or any other event or circumstances whatsoever (whether or not known to the Company, the Guarantor or the Beneficiary) which would or might (but for this clause 5) operate to impair or discharge the Guarantor's liability under this Guarantee, including, but without limitation:
- 5.1.1 any of the Company Obligations being or becoming illegal or invalid, in any respect;
 - 5.1.2 any granting of time (or other indulgence) to the Company or any other person; or
 - 5.1.3 any amendment to or variation, waiver or release of, any of the terms of the EPCC to the extent that such amendment, variation, waiver or release is made with the Guarantor's prior written consent.

6 ASSIGNMENT AND SUCCESSORS

- 6.1 Any benefit of this Guarantee shall not be assignable by the Beneficiary to any person.
- 6.2 The Guarantor may not assign its rights and obligations under this Guarantee without the prior written consent of the Government.

7 LIMITATION AND MAXIMUM LIABILITY OF GUARANTOR

- 7.1 Notwithstanding any other provisions of this Guarantee, the Guarantor shall have the benefit of all of the rights, limitations and defences including, without limitation, all rights of set off, available to the Company under the EPCC in relation to any demand made under clause 3.2 of this Guarantee. In no circumstances shall the Guarantor be liable to pay any amount under this Guarantee which is greater than the Company would have been liable to pay if the Company had performed the Company Obligations.
- 7.2 Notwithstanding any other provision of this Guarantee, the Beneficiary prior to making any demand or any attempt to collect under this Guarantee, shall first pursue collection from the Company and shall exhaust all recourse against and liquidation of the Company assets, including but not limited to any applicable insurance coverage available to satisfy any Company Obligations.

8 GOVERNING LAW AND DISPUTE RESOLUTION

- 8.1 This Guarantee shall be governed by and construed in accordance with the laws of the Republic of Mozambique.
- 8.2 Any dispute between the Parties to this Guarantee shall be subject to this Article 8.



- 8.3 A dispute shall be resolved, if possible, by negotiation between the Parties. A notice of the existence of a dispute shall be given by a Party to another in accordance with the provisions of notices in Article 10. In the event that no agreement is reached within ninety (90) days after the date one Party notifies the other that a dispute exists either Party shall have the right to have such dispute determined by arbitration as provided for in this Article 8. Arbitration shall be the exclusive method of determining a dispute under this Guarantee.
- 8.4 Subject to the provisions of this Article 8, the Parties shall submit any dispute arising out of or in connection with this Guarantee which cannot be resolved by negotiation as hereinafter provided:
- 8.4.1 all disputes referred to arbitration shall be finally settled under the United Nations Commission on International Trade Law ("UNCITRAL") Arbitration Rules in force at the date of this Guarantee;
 - 8.4.2 the seat of the arbitration shall be Geneva in Switzerland, the administrative law of the arbitration shall be Swiss law and the substantive law of the arbitration shall be Mozambican law;
 - 8.4.3 the arbitration shall be conducted in the English language. Notwithstanding Article 9, the English version of this Guarantee initialized by the Parties as a supporting document shall be used as the official translation in arbitral proceedings;
 - 8.4.4 an award by an arbitrator or arbitrators shall be final and binding on all parties;
 - 8.4.5 the arbitral panel shall be composed of 3 (three) arbitrators to be appointed in accordance with the UNCITRAL Rules, provided that, upon mutual agreement of both Parties, the arbitration is to be conducted by a sole arbitrator appointed under the UNCITRAL Rules. Unless both Parties have agreed that the dispute shall be settled by a sole arbitrator, the claimant Party shall nominate in the request for arbitration, and the respondent Party shall nominate within 30 (thirty) days of the registration of the request, 1 (one) arbitrator pursuant to the UNCITRAL Rules. Within a period of 30 (thirty) days from the date when both arbitrators have accepted their appointments the arbitrators so appointed shall agree on a third arbitrator, who shall act as Chairman of the arbitral tribunal. If either Party fails to nominate an arbitrator as provided above, or if the arbitrators nominated by the Parties fail to agree on a third arbitrator within the period specified above, then the appointing authority, which shall be the Permanent Court of Arbitration in The Hague, upon request of either Party shall make such appointments as necessary in accordance with the UNCITRAL Rules. If both Parties have agreed that the dispute shall be settled by a sole arbitrator, the sole arbitrator shall be nominated by agreement between them subject to acceptance by the nominated arbitrator; provided that if the Parties are unable to agree on a nominee for sole arbitrator within 30 (thirty) days from the date when the notice of arbitration was given to the respondent Party, then the Secretary-General of the Permanent Court of Arbitration upon request of either Party shall appoint the sole arbitrator in accordance with the UNCITRAL Rules;



- 8.4.6 insofar as practicable, the Parties shall continue to implement the terms of the EPCC notwithstanding the initiation of arbitral proceedings and any pending disputes under this Guarantee;
- 8.4.7 the provisions set out in this Article 8 shall continue after the termination of this Guarantee; and
- 8.4.8 no arbitrator of the arbitral tribunal shall be of the same nationality as any Party.
- 8.5 An award, including an interim award, in arbitral proceedings pursuant to this Article 8 shall be binding on the Parties and judgment thereon may be entered in any court having jurisdiction for that purpose. Each of the Parties shall hereby irrevocably waive any defence based upon sovereign immunity and waives any claim to immunity:
- 8.5.1 in respect of proceedings in aid of arbitration or to enforce any such award or decision including, without limitation, immunity from service of process and from the jurisdiction of any court; and
- 8.5.2 in respect of immunity from the execution of any such award or decision against the property of the Republic of Mozambique held for a commercial purpose.
- 8.6 The Parties hereby agree not to exercise any right to institute proceedings to set aside any interim or final arbitral award made pursuant to this Article 8, except that nothing in this Article 8.6 shall be read or construed as imposing any limitation or constraint on either Party's right to seek to contest enforcement of any such interim or final arbitral award rendered by an arbitral tribunal appointed in accordance with this Article 8 on the limited grounds and in accordance with the procedure set forth in Article V of the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards.

9 LANGUAGE

- 9.1 This Guarantee is drawn up in three (3) originals in the Portuguese language, for signature by the Government and the Guarantor. One signed Portuguese original will be retained by each of the Parties. An English language translation is to be prepared and initialled as a supporting document by the Parties to this Guarantee. However, in case of conflict between the Portuguese original text and the English translation, the Portuguese original text shall prevail.

10 NOTICES

- 10.1 Any notice to be given by either Party to the other under this Guarantee shall be in writing and shall be delivered by hand to the Guarantor or the Beneficiary, as the case may be, or sent to such recipient by recorded delivery letter addressed to such recipient at such address and for the attention of such person as the Guarantor or the Beneficiary, as the case may be, shall from time to time designate by notice, and until such notice shall be given the addresses of the Guarantor and the Beneficiary shall be as follows:



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The Guarantor

CNOOC Hong Kong Holding Limited
Room 1901, 19/F
Lee Garden One, 33
Hysan Avenue
Causeway Bay, Hong Kong
Telephone: 00852 25213661

The Government

Ministério dos Recursos Minerais e Energia
Ministro dos Recursos Minerais e Energia
Av. Zedequias Manganhela
Porta n.516, 16º Andar, Torre 1
Caixa Postal 4724
Maputo, Moçambique
Copy to: The Chairman of the Board of Directors of the National Petroleum
Institute
Telephone: +258 21 320 935
Email: _____

- 10.2 All notices delivered by recorded delivery or hand shall be deemed to be effective upon receipt.

IN WITNESS WHEREOF this Guarantee has been executed by the Guarantor and has been accepted by the Government on the date specified above.

for and on behalf of **CNOOC Hong Kong
Holding Limited**

for and on behalf of **THE GOVERNMENT OF
THE REPUBLIC OF MOZAMBIQUE**



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ANNEX F

JOINT OPERATING AGREEMENT

Between

CNOOC HONG KONG HOLDING LIMITED

And

Empresa Nacional de Hidrocarbonetos, E.P.



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JOINT OPERATING AGREEMENT

THIS AGREEMENT, an integral part of the Exploration and Production Concession Contract, which includes an Exhibit A (Accounting Procedures) hereto, is made as of the date whereupon the Exploration and Production Concession Contract becomes effective (hereinafter referred to as the "Effective Date") between

CNOOC HONG KONG HOLDING LIMITED, a company established in accordance with the laws of Special Administrative Region of Hong Kong of the People's Republic of China (hereinafter referred to as "**CNOOC**" or the "**Operator**"); and

Empresa Nacional de Hidrocarbonetos, E.P., a public company established in accordance with the laws of the Republic of Mozambique, hereinafter referred to as "**ENH**" and here represented by the Chairman of its Board of Directors and the Vice President for Exploration and Production.

The companies named above, and their respective successors and assignees (if any), may sometimes individually be referred to as "Concessionaire" and collectively as the "Concessionaires".

WITNESSETH:

WHEREAS, the Concessionaires have been awarded an Exploration and Production Concession Contract with the Government of the Republic of Mozambique (hereinafter referred to as the "Government") covering Concession Contract Area **S6B** offshore the Republic of Mozambique (the "EPCC"); and

WHEREAS, the Concessionaires sign and effectuate this Agreement which is acceptable to the Government under the said EPCC prior to the Effective Date;

WHEREAS, The Concessionaires wish to define their respective rights and obligations under this Agreement with respect to their operations under the EPCC;

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements and obligations set out below and to be performed, the Concessionaires agree as follows:

Article 1. DEFINITIONS

Unless otherwise defined herein, the definitions stipulated in the Petroleum Law (Law No 21/2014 of 18 August), the Petroleum Operations Regulations (Decree No 34/2015 of 31 December), and the EPCC main document apply to this Agreement. In the event of conflict between the provisions of the EPCC main document and this Agreement, the EPCC main document shall prevail. The following words and terms including derivatives thereof shall have the meaning in this Agreement ascribed to them below:

- 1.1 **Agreement** means this document, together with any Exhibits that are or may be attached hereto, and any extension, renewal, amendment or addition hereto, agreed in writing by the Concessionaires and approved by the Government pursuant to applicable Petroleum Law or the EPCC.
- 1.2 **APE** means an authorization for expenditure for Joint Petroleum Operations, or as the case may be Exclusive Petroleum Operations, within the scope of the EPCC.



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- 1.3 **Deepening** means an operation whereby a Well is drilled to an objective Zone below the deepest Zone in which the Well was previously drilled, or below the deepest Zone proposed in the associated AFE (if required), whichever is the deeper.
- 1.4 **Operating Committee** means a committee, composed of representatives of each Concessionaire holding a Participating Interest, and constituted in accordance with Article 6, that will provide the overall supervision and direction of Joint Petroleum Operations under the EPCC.
- 1.5 **Completion** means an operation intended to complete a Well through the Christmas tree for Production of Petroleum in one or more Zones, including the setting of Production casing, perforating, stimulating the Well and Production Testing conducted in such operation.
- 1.6 **Consenting Concessionaire** means a Concessionaire who agrees to participate in and pay its share of the cost of an Exclusive Petroleum Operation.
- 1.7 **Non-Consenting Concessionaire** means each Concessionaire who elects not to participate in an Exclusive Petroleum Operation.
- 1.8 **Joint Account** means the accounts maintained by Operator for Joint Petroleum Operations pursuant to the provisions of this Agreement, including the Accounting Procedure.
- 1.9 **Control** means ownership directly or indirectly of more than fifty percent (50%) of:
- (i) the voting stock, if the entity is a corporation issuing stock; or
 - (ii) the controlling rights or interests, if the entity is not a corporation.
- The terms "Controls" and "Controlled by" shall be construed accordingly.
- 1.10 **G & G Data** means geological, geophysical and geochemical data and other similar information that is not obtained through a Well bore.
- 1.11 **Environmental Loss** means any loss, damages, costs, expenses or liabilities (other than Consequential Loss) caused by a discharge of Petroleum, pollutants or other contaminants into the environment, arising out of, relating to, or connected with Petroleum Operations under the EPCC.
- 1.12 **Commercial Discovery** means any Discovery that the Concessionaires consider to be sufficient to enable the Concessionaires Development Plan and apply for authorization from the Government to commence Development and Production.
- 1.13 **Sidetracking** means the directional control and intentional deviation of a Well initial trajectory so as to change the bottom hole location unless the operation is done to straighten the hole or to drill around junk in the hole or to overcome other mechanical difficulties.
- 1.14 **Business Day** means a day on which the banks in Mozambique are customarily open for business.
- 1.15 **Security** means (i) a guarantee or an irrevocable standby letter of credit or irrevocable commercial bank guarantee; (ii) an on-demand bond issued by a surety corporation; (iii) an irrevocable guarantee issued by a corporation or government; (iv) any financial security required by the EPCC or this Agreement; or (v) any financial security unanimously agreed in writing from time to time by the Operating Committee; provided, that the bank, surety or corporation or government issuing the guarantee, standby letter of credit, bond or other security (as applicable) has: (a) a net worth sufficient to pay all the obligations of the Security provider arising under this Agreement in all reasonably foreseeable circumstances, or (b) an issuer credit rating or rating for its unsecured and unsubordinated and non-credit enhanced senior long term debt of at least A- by Standard &



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Poor's, or A3 Moody's Investors Service, or an equivalent rating by a successor entity to such agency.

- 1.16 **Gross Negligence and Wilful Misconduct** means any act or failure to act of any Senior Supervisory Personnel (whether sole, joint or concurrent) which was intended to cause, or which was in reckless disregard of or wanton indifference to, harmful consequences such person knew, or should have known, such act or failure would have on the safety or property of another person or entity.
- 1.17 **Joint Petroleum Operations** means those operations and activities carried out by Operator pursuant to this Agreement, the costs of which are chargeable to all Concessionaires.
- 1.18 **Exclusive Petroleum Operation** means operations conducted by less than all Concessionaires pursuant to Article 8.
- 1.19 **Consequential Loss** means any loss, damages, costs, expenses or liabilities caused (directly or indirectly) by any of the following circumstances arising out of, relating to, or connected with this Agreement or the operations carried out under this Agreement and the appurtenant EPCC: (i) reservoir or formation damage; (ii) inability to produce, use or dispose of Petroleum (including loss due to business interruption); (iii) loss or deferment of income; (iv) punitive damages; or (v) other indirect damages or losses whether or not similar to the foregoing.
- 1.20 **Development and Production Period** means any and all periods of Development and Production of Petroleum under the EPCC.
- 1.21 **Senior Supervisory Personnel** means, with respect to the Operator or any of its Affiliated Companies providing services for Joint Petroleum Operations, any director or officer of the Operator or such Operator's Affiliated Company, and any individual who functions at a management level equivalent or superior to its designated resident country general manager but excluding all individuals functioning at a level below such designated resident country general manager.
- 1.22 **Development Well** means any Well drilled for the Production of Petroleum pursuant to a Development Plan approved by the Government.
- 1.23 **Accounting Procedure** means the rules, provisions and conditions contained in Exhibit A.
- 1.24 **Joint Property** means, at any point in time, all Wells, Facilities, equipment, materials, information, funds and property (excluding Petroleum) held for use in Joint Petroleum Operations.
- 1.25 **Entitlement** means that quantity of Petroleum (excluding all quantities used or lost in Joint Operations) of which a Concessionaire has the right to take delivery pursuant to the terms of this Agreement and the EPCC, as such rights and obligations may be adjusted by the terms of any lifting, balancing and other disposition agreements entered into pursuant to Article 10.
- 1.26 **Recompletion** means an operation whereby a Completion in one Zone is abandoned in order to attempt a Completion in a different Zone within the existing wellbore.
- 1.27 **Work Over** means an operation conducted in the wellbore of a Well after it is Completed to secure, restore, or improve Production in a Zone or part of a Zone which is currently open to Production in the wellbore. Such operations include Well stimulation operations, but exclude any routine repair or maintenance work, or drilling, Sidetracking, Deepening, Completing, Recompleting, or Plugging Back of a Well.



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- 1.28 **Default Interest Rate** means interest compounded on a monthly basis, at the rate per annum equal SOFR for U.S. dollar deposits, plus two (2%) percentage points, applicable on the first Business Day prior to the due date of payment and thereafter on the first Business Day of each succeeding calendar month. If the aforesaid rate is contrary to any applicable usury law, the rate of interest to be charged shall be the maximum rate permitted by such applicable law.
- 1.29 **"SOFR"** means the forecast forward term rate for the one-month period based on the secured overnight financing rate, as administered by CME Group Benchmark Administration Limited (CBA), published on the CBA websites or by Bloomberg, one (1) business day (according to the SIFMA US holiday calendar) before the start of the period in question. If the CBA does not publish the SOFR term rate for a given Day, then the one month SOFR term rate of the nearest previous Day will be used. If the SOFR term rate is no longer published, the Parties will use all reasonable efforts to establish an alternative interest rate that takes due account of the market convention in force at the time for determining an interest rate; however, if that interest rate is below zero, it will be considered a zero-interest rate for the purposes of this Agreement.
- 1.30 **Plugging Back** means a single operation whereby a deeper Zone is abandoned in order to attempt a Completion in a shallower Zone.
- 1.31 **Well Testing** means an operation to evaluate the capacity of a Zone to produce Petroleum.
- 1.32 **Calendar Quarter** means a period of three (3) months commencing January 1 and ending on the following March 31, a period of three (3) months commencing April 1 and ending on the following June 30, a period of three (3) months commencing July 1 and ending on the following September 30, or a period of three (3) months commencing October 1 and ending on the following December 31, all in accordance with the Gregorian Calendar.
- 1.33 **Zone** means a stratum of earth containing or thought to contain an accumulation of Petroleum which may separately be extracted from any other accumulation of Petroleum.
- 1.34 **HSE Plan** shall have the meaning set out in Article 5.3A.
- 1.35 **Prohibited Substance** means: (i) illicit or unprescribed drugs and controlled substances or mood or mind altering substances; (ii) prescribed drugs used in a manner inconsistent with the prescription; or (iii) alcoholic beverages.
- 1.36 **Seconded** means an employee of a Non-Operator or its Affiliated Company, who is subject to secondment under a secondment agreement between Operator and such Non-Operator or its Affiliated Companies.

Article 2.

EFFECTIVE DATE AND TERM

1. This Agreement shall have effect from the Effective Date, and shall continue in effect until the following occur in accordance with the terms of this Agreement:
 - a) the EPCC terminates;
 - b) all Facilities, materials, other equipment and property used in connection Joint Petroleum Operations or Exclusive Petroleum Operations have been properly decommissioned pursuant to an approved Decommissioning Plan or otherwise disposed of or removed; and



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- c) final settlement (including settlement in relation to any financial audit carried out pursuant to the Accounting Procedure) has been made.
2. Notwithstanding the preceding paragraphs:
- (i) Article 11 shall remain in effect until all Decommissioning obligations under applicable law and the EPCC have been satisfied; and
 - (ii) Article 5.5, Article 5.6, Article 9, Article 16.2, Article 18, Article 19 and the indemnities under Articles 8.3(A), 15.2 and 21.1 shall remain in effect until all obligations have been extinguished and all disputes have been resolved; and
 - (iii) Termination of this Agreement shall be without prejudice to any rights and obligations arising out of or in connection with this Agreement which have vested, matured or accrued prior to such termination.

Article 3.**SCOPE****3.1 Scope**

A. The purpose of this Agreement is to establish the respective rights and obligations of Concessionaires forming an unincorporated joint venture for the purpose of and with regard to Petroleum Operations pursuant to the EPCC.

B. For greater certainty, the Concessionaires confirm that, except to the extent expressly included in the EPCC, the following activities are outside of the scope of this Agreement and are not addressed herein:

1. Petroleum Operations related to Facilities and activities downstream from the Delivery Point as stipulated by an approved Development Plan, except as expressly provided for in the EPCC and this Agreement;
2. Marketing and sales of Petroleum, except as expressly provided in the EPCC or this Agreement;
3. Petroleum Operations outside of the EPCC Area, except for Petroleum Operations related to the use of a Facility owned or controlled by Person other than a Concessionaire, including final processing or treatment of Petroleum for the purpose of onwards shipment of Crude Oil or Natural Gas in a transmission Oil Pipeline or Gas Pipeline, or as liquefied Natural Gas or compressed Natural Gas when such Petroleum Operations are conducted pursuant to the EPCC;
4. Petroleum Operations outside of the EPCC Area other than as a consequence of unitization with an adjoining EPCC Area under the terms of the EPCC;



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5. Construction, placement and operation of Facilities for the purpose of Transportation outside the EPCC Area of Petroleum extracted from Petroleum Deposits located within the EPCC Area, except when such activities are conducted pursuant to the EPCC; and
6. Exploration, Development or extraction of any substance other than Petroleum, inside or outside of the EPCC Area, except for purposes in compliance with the EPCC and in accordance with applicable law.

Article 4. Ownership, Obligations and Liabilities

- 4.1 Unless otherwise provided in this Agreement, all the rights and interests in and under the EPCC, all Joint Property, and all Petroleum Produced from the EPCC Area shall, subject to the terms of the EPCC, be owned proportionally by the Concessionaires in accordance with their respective Participating Interests.
- 4.2 Unless otherwise provided in this Agreement, the obligations of the Concessionaires under the EPCC and all liabilities and expenses incurred by Operator in connection with Joint Petroleum Operations shall be charged to the Joint Account and all credits to the Joint Account shall be shared by the Concessionaires that paid for the costs of the relevant Joint Petroleum Operation, in accordance with their respective paying Participating Interests. Joint Account costs paid by the Concessionaires are to be reimbursed promptly pursuant to Article 9.8 of the EPCC and Article 4.5 of this Agreement.
- 4.3 Subject to the Carry under the EPCC and this Agreement, each Concessionaire shall pay on the due date, in accordance with the Accounting Procedure, its Participating Interest share of Joint Account expenses, including cash advances and interest, accrued pursuant to this Agreement. A Concessionaire's payment of any charge under this Agreement shall be without prejudice to its right to later contest the charge.

4.4 Participating Interest

- A. The Participating Interests of the Concessionaires as of the Effective Date are:
 - CNOOC - seventy-seven-point five percent (77,5%)
 - ENH - twenty-two-point five percent (22,5%)
- B. If a Concessionaire transfers all or part of its Participating Interest pursuant to the provisions of this Agreement and the EPCC, the Participating Interests of the Concessionaires shall be revised according to such transfer.

4.5 State Participation

ENH is a Concessionaire pursuant to Article 3.2 of the EPCC. The Concessionaires (exclusive of ENH) shall contribute in respect to the Carry, in proportion to their respective Participating Interests (exclusive of the ENH Participating Interest), to the Participating Interest assumed by ENH. All payments received for the repayment of the Carry shall be credited to the Concessionaires (exclusive of ENH) in proportion to their Participating Interests.



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4.6 Guarantees

The Concessionaires acknowledge the requirements for guarantees pursuant to Article 4.10(a) and 4.10(b) of the EPCC. Each Concessionaire agrees to furnish and pay the cost proportionate to each Concessionaire's respective Participating Interest of the unconditional and irrevocable Exploration work commitment bank guarantee that the Concessionaires shall provide pursuant to the EPCC Article 4.10(a) and to furnish the Government with an unconditional and irrevocable parent company guarantee as required pursuant to EPCC Article 4.10(b). The ENH guarantee obligations pursuant to EPCC Article 4.10(a) shall be carried by the Concessionaires other than ENH in proportion to their respective Participating Interests (exclusive of the carried State Participating Interest).

4.7 Cross Indemnity Agreement

Without prejudice to the joint and several liability of the Concessionaires under the EPCC, and subject to Section 4.8 below, each Concessionaire shall procure that its relevant guarantor issuing the parent company guarantee pursuant to EPCC Article 4.10(b), by no later than the release of such parent company guarantee, enter into a cross indemnity agreement, having the same effective date as the parent company guarantee, in order to mutually indemnify each other in respect of any liability incurred during the term of the parent company guarantees required pursuant to the EPCC Article 4.10(b), in excess of the Participating Interest share of the respective Concessionaire.

4.8 ENH Counter Guarantees

Without prejudice to the joint and several liability of ENH, ENH (or any Permitted Assignee) shall by no later than thirty (30) days after the Effective Date of the EPCC provide an unconditional and irrevocable counter-guarantee substantially in the form of Annex E of the EPCC to the other Concessionaires (the "ENH Counter Guarantee") in respect of ENH's obligations for the State Participating Interest. The ENH guarantee obligations for the State Participating Interest under the ENH Counter Guarantee shall become effective on the first day following the date of approval of each Development Plan, with respect to all Development and Production under the relevant Development Plan.

Article 5. OPERATOR

5.1 Designation of Operator

The Operator shall be as designated in the EPCC or in case of change of Operator the appointment of such entity shall be subject to approval by the Minister with authority over the Petroleum sector.

5.2 Rights and Duties of Operator

- A. Subject to the terms and conditions of this Agreement and unless otherwise specified, Operator shall act on behalf of the Concessionaires to this Agreement, have all of the rights, functions and duties of Operator under the EPCC and shall have exclusive charge of all Joint Petroleum Operations and shall conduct and administer all activities under the EPCC and this Agreement. Operator may, subject to requirements of applicable law and the EPCC, and within the terms of this Agreement, employ any persons (including Affiliated Companies) in such relevant Joint Petroleum Operations.



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- B. In the conduct of Joint Petroleum Operations Operator shall:
- 1) Perform Joint Petroleum Operations in accordance with applicable law, the EPCC, this Agreement, and the decisions of the Operating Committee not in conflict with this Agreement;
 - 2) Conduct and administer all Joint Petroleum Operations in a diligent, safe and efficient manner in accordance with applicable law and such Good Petroleum Industry Practices and field conservation principles as are generally followed by the international petroleum industry under similar circumstances;
 - 3) Exercise due care with respect to the receipt, payment and accounting of funds in accordance with applicable law, the Accounting Procedure annexed to this Agreement and Good Petroleum Industry Practices and prudent practices as are generally followed by the international petroleum industry under similar circumstances;
 - 4) Subject to provisions of this Agreement and the Accounting Procedure, neither gain a profit nor suffer a loss as a result of being the Operator in its conduct of Joint Petroleum Operations;
 - 5) Perform the duties for the Operating Committee set out in Article 6 and prepare and submit to the Operating Committee proposed work programmes and budgets, and (if required) AFEs as provided in Article 7.7;
 - 6) Acquire all permits, consents, approvals, and surface or other rights that may be required for or in connection with the conduct of Joint Petroleum Operations;
 - 7) Upon receipt of reasonable advance notice, and having regard to operational and HSE requirements, permit the representatives of any of the Concessionaires to have, during normal business hours and at their own risk and expense, access to the Facilities relating to Joint Petroleum Operations with the right to observe all Joint Petroleum Operations and to inspect all Joint Property and to conduct financial audits as provided in the Accounting Procedure, HSE audit, compliance audit and any other audits as may be considered by the Operating Committee;
 - 8) Maintain the EPCC in full force and effect in accordance with such Good Petroleum Industry Practices applied under similar circumstances. The Operator shall timely pay and discharge all liabilities and expenses incurred in connection with Joint Petroleum Operations and use its reasonable endeavours to keep and maintain the Joint Property free from all liens, charges and encumbrances arising out of Joint Petroleum Operations;
 - 9) Pay to the Government for the Joint Account, within the periods and in the manner prescribed by the applicable law and the EPCC, all periodic payments, taxes, fees and other payments pertaining to Joint Petroleum Operations, excluding any taxes appertaining to each Concessionaire as stipulated by applicable law or the EPCC;



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- 10) Carry out the obligations of Operator pursuant to the EPCC, including preparing and furnishing such reports, records and information as may be required by the Operating Committee and under the EPCC;
- 11) Except in respect to individual chargeable tax liability, have, in accordance with any decisions of the Operating Committee, the right and obligation to represent the Concessionaires in dealings with the Government with respect to matters arising under the EPCC and Joint Petroleum Operations. The Operator of such Joint Petroleum Operations shall notify the other Concessionaires as soon as possible of such meetings. Subject to the EPCC and any necessary Government approvals, Concessionaires shall have the right to attend any meetings with the Government with respect to such matters, but only in the capacity of observers. Nothing contained in this Agreement shall restrict any Concessionaire from holding discussions with the Government with respect to any issue peculiar to its business interests arising under the EPCC or this Agreement, but in such event, the relevant Concessionaire shall promptly advise the other Concessionaires, if possible, before and in any event promptly after such discussions, provided that such Concessionaire shall not be required to divulge to the other Concessionaires any matters discussed to the extent the same involve proprietary information or matters not affecting those Concessionaires;
- 12) In accordance with Article 10 or any decisions of the Operating Committee, assess alternatives for the disposition of Petroleum from a Discovery;
- 13) In case of an emergency, including, but not limited to, a significant fire, explosion, Petroleum or other gas or liquids release or leakage, or sabotage; incident involving loss of life, serious injury to an employee, contractor, or third party, or serious property damage; environmental damage; strikes and riots; or evacuations of Operator personnel; probable in-country, international, or major media coverage; or changes in production level affecting quota:
 - i. take all necessary and proper measures for the protection of life, health, the environment and property;
 - ii. as soon as reasonably practicable, report to Concessionaires the details of such event and any measures Operator has taken or plans to take in response thereto;
- 14) Establish and implement an HSE Plan to govern Petroleum Operations to ensure compliance with applicable law, the EPCC and this Agreement
- 15) Establish and implement anti-bribery and corruption policies and procedures;
- 16) Prior to appointing or engaging any independent contractor, conduct appropriate and proportionate integrity due diligence and as well due diligence concerning relevant criteria, including such contractor's ability to perform the proposed work properly, on time, within budgeted cost, and in compliance with applicable legal and contractual requirements.



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- 17) Include, to the extent practical, in its contracts with independent contractors and to the extent lawful, provisions which:
- A) Establish that such contractors can only enforce their contracts against Operator;
 - B) Permit Operator, on behalf of Concessionaires, to enforce contractual indemnities and warranties against, and recover losses and damages suffered by them, insofar as recovered under their contracts, from, such contractors; and
 - C) Require such contractors to comply with applicable law, the HSE plan and the provisions of the EPCC and to take insurance as required by such applicable law and as stipulated in the EPCC and this Agreement.
- 18) Operator may not delegate its general powers and responsibilities of supervision and management as Operator pursuant to this Agreement to an Affiliated Company without prior consent from all of the Concessionaires and subsequent approval from the Ministry of Mineral Resources and Energy. In such a case, the Operator shall remain liable for all its obligations as Operator.

5.3 Health, Safety and Environment ("HSE")

- A. With the goal of achieving safe and reliable Petroleum Operations in compliance with applicable Mozambican law regarding health, safety and protection of the environment, hereinafter referred to as "HSE" (including avoiding significant and unintended impact on the safety or health of people, on property, or on the environment), Operator shall in the conduct of Petroleum Operations:
- 1) Establish and implement an HSE Plan, including emergency response plans, in a manner consistent with Good Petroleum Industry Practice and in accordance with applicable Mozambican law and the EPCC;
 - 2) design and operate Joint Property consistent with the HSE Plan; and
 - 3) conform with applicable Mozambican HSE laws and other HSE-related statutory requirements that may apply.
- B. The Operating Committee shall review details of the Operator's HSE Plan as soon as it is established and at least annually thereafter as well as Operator's implementation thereof unless HSE performance warrants a more regular review.
- C. In the conduct of Petroleum Operations, Operator shall establish and implement a program for regular HSE assessments. The purpose of such assessments is to periodically review HSE systems and procedures, including actual practice and performance, to verify that the HSE Plan is being implemented in accordance with the policies and standards of the HSE Plan. Operator shall, as a minimum, conduct such an assessment before entering into new Petroleum Operations and before undertaking any major changes to existing Petroleum Operations. Concessionaires shall actively participate in such HSE assessments.



D. Operator shall require the Concessionaires and its contractors, sub-contractors, consultants and agents undertaking activities for the Joint Account to manage HSE risks in a manner consistent with the requirements of this Article 5.3 and applicable law.

E. Operator shall establish and enforce rules consistent with those generally followed in the international petroleum industry under similar circumstances that, at a minimum, prohibit within the EPCC Area and other designated areas in which Operator conducts Petroleum Operations the following:

- 1 Using, possessing, selling, manufacturing, distributing, concealing, or transporting any of the following items:
 - a Any Prohibited Substance;
 - b Contraband, including firearms, ammunition, explosives, and other weapons; or
 - c Illicit equipment or paraphernalia
- 2 Using or possessing any prescription drugs that may cause impairment, except when all of the following conditions have been met:
 - a Prescription drugs have been prescribed by a licensed physician for the person in possession of the drugs;
 - b The prescription was filled by a licensed pharmacist for the person possessing the drugs; and
 - c The individual notifies his/her supervisor that he/she will be in possession of or using prescription drugs that may cause impairment and appropriate steps are taken to accommodate the possibility of impairment, including removal from work for the period of possible impairment.
- 3 Using or possessing over-the-counter medication that may cause impairment, except when the individual notifies his/her supervisor that he/she will be in possession of or using over-the-counter medication that may cause impairment and appropriate steps are taken to accommodate the possibility of impairment, including removal from work for the period of possible impairment.
- 4 Being under the influence of a Prohibited Substance while performing any work.
- 5 Switching or adulterating any urine, blood, or other sample used for testing.
- 6 Firearms, explosives, or other weapons without the prior written approval of Operator's senior management.

F. Without prejudice to a Concessionaire's rights under Article 5.2(B)(7), with reasonable advance notice, Operator shall permit each Concessionaire to have during normal business hours (and at its own risk and expense) the right to conduct its own HSE audit.



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5.4 Operator Personnel

Operator shall engage or retain only such employees, contractors, Seconded, consultants and agents as are reasonably necessary to conduct activities relevant to Joint Petroleum Operations. Operator shall determine the number of employees, contractors, consultants and agents, as well as the selection of such persons, their hours of work, and the compensation to be paid to all such persons in connection with Joint Petroleum Operations.

5.5 Information Supplied by Operator

A. Operator shall provide all Concessionaires with the following data and reports in a format agreed with INP, to the extent the cost of which is to be charged to the Joint Account or for the purpose of fulfilling obligations pursuant to applicable law or the EPCC, as they are currently produced or compiled from the relevant Joint Petroleum Operations:

- 1) copies of all logs or surveys, including in digitally recorded format if such exists;
- 2) daily drilling and other 3rd party operational reports;
- 3) copies of all Tests and core data and analysis reports;
- 4) final Well recap report;
- 5) copies of plugging reports;
- 6) copies of intermediate and final geological and geophysical maps, seismic sections and shot point location maps, reports and interpretations;
- 7) engineering studies, development schedules and Quarterly and annual progress reports on development projects;
- 8) field and Well performance reports, including reservoir studies and reserve estimates;
 - i. copies of all material reports relating to the relevant Joint Petroleum Operations or the EPCC Area furnished by Operator to the Government;
 - ii. other material studies and reports relating to such Joint Petroleum Operations;
 - iii. progress reports on seismic operations;
 - iv. reports required to be provided by the Operator pursuant to the Accounting Procedure;
- 9) reports required to be provided by the Operator pursuant to Annex C of the EPCC - the Accounting and Financial Procedures;
- 10) Production and lifting related data and reports, including annual production forecasts;



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- 11) balancing reports for Natural Gas under agreements provided for in Article 10.3;
- 12) Petroleum sales and delivery related data and reports;
- 13) Geotechnical, metocean data and reports
- 14) Quarterly and annual HSE key performance data and reports, even if included in other quarterly and annual regular, more comprehensive, reports;
- 15) such additional information as a Concessionaire may reasonably request, provided that the requesting Concessionaire pay the costs of preparation of such information and that the preparation of such information will not unduly burden Operator's administrative and technical personnel. Only Concessionaires who pay such costs will receive such additional information; and
- 16) other reports as required by the Operating Committee.

B. Operator shall, with reasonable notice, give Concessionaires access during normal business hours to all data and reports, other than data and reports provided to Concessionaires in accordance with Article 5.5(A), acquired in the conduct of Joint Petroleum Operations, which a Concessionaire may reasonably request. Any Concessionaire may make copies of such other data at its sole expense.

5.6 Settlement of Claims and Lawsuits

A. Operator shall promptly notify the participating Concessionaires of any and all material claims or suits that relate in any way to relevant Joint Petroleum Operations. Operator shall represent the relevant participating Concessionaires and defend or oppose the claim or suit. Operator may in its sole discretion initiate, compromise or settle (i) any such individual claim or suit that is not related to any other claim or suit, or (ii) any related series of claims, counter claims or suits, in each case for an amount not to exceed the equivalent of five hundred thousand United States dollars (US\$ 500,000) exclusive of legal fees. Operator shall obtain the approval and instructions of the Operating Committee in respect of any claim that (i) is in excess of the above-stated amount, (ii) is against the Government. Without prejudice to the foregoing, each Concessionaire shall have the right to be represented by its own counsel at its own expense in the settlement, compromise or defence of such claims or suits.

B. Any Concessionaire shall promptly notify the other Concessionaires of any claim made against such Concessionaire by a third party that relates to, arises out of or may affect the Concessionaires' Joint Petroleum Operations, and such Concessionaire shall defend or settle the same in accordance with any directions given by the Operating Committee. Those costs, expenses and damages incurred pursuant to such defence or settlement which is attributable to the relevant Joint Petroleum Operations shall be for the Joint Account.

C. Notwithstanding this Article 5.6, each Concessionaire shall have the right to participate in any such suit, prosecution, defence or settlement conducted in accordance with said above provisions, at its sole cost and expense; provided always that (i) any such Concessionaire has no conflict of interest in relation to the legal action in question; and (ii) no



Concessionaire may settle its Participating Interest share of any claim without first satisfying the Operating Committee that it can do so without prejudicing the interests of the Joint Petroleum Operations.

5.7 Limitation on Liability of Operator

A. Except as set out in Article 5.7(C), neither Operator nor any other Indemnatee as defined below shall bear, except as a Concessionaire to the extent of its Participating Interest share, any damage, loss, cost, expense or liability resulting from performing, or failing to perform the duties and functions of Operator, and the Indemnitees are hereby released from liability to Concessionaires for any and all damages, losses, costs, expenses and liabilities arising out of, incident to or resulting from such performance or failure to perform, even though caused in whole or in part by a pre-existing defect, or the negligence, (whether sole, joint or concurrent), Gross Negligence and Wilful Misconduct, strict liability, other legal fault of Operator (or any other Indemnatee) .

B. Except as set out in Article 5.7(C), the Concessionaires shall in proportion to their Participating Interests defend and indemnify Operator and its Affiliated Companies, and their respective directors, officers, and employees, (collectively, the "Indemnitees"), from any and all damages, losses, costs, expenses, including reasonable legal costs, expenses and attorneys' fees and liabilities incident to claims, demands or causes of action brought by or on behalf of any Person or entity, which claims, demands or causes of action arise out of or result from Joint Petroleum Operations, even though caused in whole or in part by a pre-existing defect, or the negligence (whether sole, joint or concurrent), Gross Negligence and Wilful Misconduct, strict liability, other legal fault of Operator (or any other Indemnatee).

C. Notwithstanding Articles 5.7(A) or 5.7(B), if any Senior Supervisory Personnel of Operator or its Affiliated Companies engage in Gross Negligence and/or Wilful Misconduct which proximately causes the Concessionaires to incur damage, loss, cost, expense or liability for claims, demands or causes of action referred to in Article 5.7, then, in addition to its Participating Interest share, Operator shall bear only the actual damage, loss, cost, expense and liability to repair, replace and/or remove Joint Property so damaged or lost, if any.

D. Notwithstanding the foregoing, under no circumstances shall Operator (except as a Concessionaire to the extent of its Participating Interest as contemplated in Article 5.7(A)) or any other Indemnatee bear any Consequential Loss or Environmental Loss.

E. Nothing in this Article 5.7 shall be deemed to relieve Operator from its Participating Interest share of any damage, loss, cost, expense or liability arising out of, or resulting from Joint Petroleum Operations.

5.8 Insurance Obtained by Operator

A. Operator shall, unless otherwise provided by applicable law, the EPCC or this Agreement, procure and maintain for the Joint Account all insurance in the types and amounts required by applicable Mozambican law or the EPCC.



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B. Operator shall procure and maintain any necessary insurance, at market based rates, subject to the requirement and unanimous approval of the Operating Committee

C. Subject to applicable law or the EPCC, any Concessionaire may elect not to participate in the insurance to be procured by the Operator under Articles 5.8(A) and 5.8(B) provided such Concessionaire:

- 1) Gives prompt written notice to that effect to Operator;
 - 2) Does nothing which may interfere with Operator's negotiations for such insurance for the other Concessionaires;
 - 3) Obtains insurance prior to or concurrent with the commencement of relevant Petroleum Operations and maintains such insurance, in respect of which a current certificate of adequate coverage provided at least once a year shall be sufficient evidence and which the Operating Committee determines to be acceptable. No such determination of acceptability shall in any way absolve a non-participating Concessionaire from its obligation to meet each cash call (except in accordance with Article 5.8(F) as regards the costs of the insurance policy in which such Concessionaire has elected not to participate) including any cash call with respect to damages and losses and the costs of remedying the same in accordance with the terms of law, regulations, the EPCC and this Agreement. If such Concessionaire obtains other insurance, such insurance shall:
 - (a) contain a waiver of subrogation in favour of all the other Concessionaires, the Operator and their insurers but only with respect to their interests under this Agreement;
 - (b) provide that thirty (30) days' written notice be given to Operator prior to any material change in, or cancellation of, such insurance policy;
 - (c) be primary to, and receive no contribution from, any other insurance maintained by or on behalf of, or benefiting Operator or the other Concessionaires; and
 - (d) contain adequate territorial extensions and coverage in the location the Joint Petroleum Operations; and
 - 4) is responsible for all deductibles, coinsurance payments, uninsured or exposures relating to its interests under this Agreement.
- D. Any Concessionaire may elect to self-insure its Participating Interest with the coverage set forth in Article 5.8(A) if:

1. it gives prompt written notice to that effect to the Operator
2. the Concessionaire or its parent company or the company in its group that provides insurance to the remainder of the group, as guarantor, agrees to provide a guarantee in favour of the other Concessionaires for any relevant payment and such guarantor has a credit rating acceptable to the Operating Committee.



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E. The cost of insurance in which all the Concessionaires are participating shall be for the Joint Account and the cost of insurance in which less than all the Concessionaires are participating shall be charged to the Concessionaires participating in proportion to their respective Participating Interests. Subject to the preceding sentence, the cost of insurance with respect to an Exclusive Petroleum Operation shall be charged to the Consenting Concessionaires.

F. Operator shall, with respect to all insurance obtained under this Article 5.8:

- 1) Promptly inform the participating Concessionaires when such insurance is obtained and supply them with certificates of insurance or copies of the relevant policies when the same are issued;
- 2) Arrange for the participating Concessionaires, according to their respective Participating Interests, to be named as co-insureds on the relevant policies with waivers of subrogation in favour of all the Concessionaires but only with respect to their interests under this Agreement;
- 3) Use reasonable endeavours to ensure that each policy shall survive the default or bankruptcy of the insured for claims arising out of an event before such default or bankruptcy and that all rights of the insured shall revert to the Concessionaires not in default or bankruptcy; and
- 4) Duly file all claims and take all necessary and proper steps to collect any proceeds and credit any proceeds to the participating Concessionaires in proportion to their respective Participating Interests.

G. Operator shall use its reasonable endeavours to make sure all persons, other than participating Concessionaires, performing work with respect to Joint Petroleum Operations:

- 1) Obtain and maintain any and all insurance in the types and amounts required by applicable law, the EPCC or any decision of the Operating Committee before commencing the relevant work;
- 2) Name the Concessionaires as additional insureds on the Concessionaire's insurance policies and obtain from their insurers waivers of all rights of recourse against Operator, Concessionaires and their insurers; and
- 3) Provide Operator with certificates reflecting such insurance prior to the commencement of their services.

5.9 Commingling of Funds

Operator may not commingle with Operator's own funds the monies which Operator receives from or for the Joint Account pursuant to this Agreement.

5.10 Resignation of Operator



Subject to Article 5.12, Operator may resign as Operator at any time by so notifying the other Concessionaires at least six months prior to the effective date of such resignation. Resignation as Operator requires the approval of the Government. The Operator shall not be relieved of its responsibilities as Operator pursuant to this Agreement until approved by Government and the expiry of the aforementioned notice period, whichever comes last. Operator's right of resignation as provided in this Article 5.10 shall be without prejudice to its right to retain its Participating Interest including such of its rights, benefits, duties and obligations as are not related to or are not on account of its being Operator pursuant to the EPCC and this Agreement.

5.11 Removal of Operator

A. Subject to any rights of the Government to require otherwise and subject to Article 5.12, Operator shall be removed upon receipt by the Operator and the other Concessionaires of notice from any Concessionaire if:

- 1) Operator becomes insolvent or bankrupt, or makes an assignment for the benefit of creditors;
- 2) An order is made by a court or an effective resolution is passed for the reorganization under any bankruptcy law, dissolution, liquidation, or winding up of Operator;
- 3) A receiver is appointed for a substantial part of Operator's assets;
- 4) Operator dissolves, liquidates, is wound up, or otherwise voluntarily terminates its existence; or
- 5) An assignment by the Operator results in the Operator holding less than the minimum Participating Interest of twenty five percent (25%) required for an Operator pursuant to applicable law and the EPCC.

B. Subject to Article 5.12, Operator may be removed by the decision of the Concessionaires if Operator has committed a material breach of the EPCC or this Agreement and has either failed to commence to cure that breach within thirty (30) days of receipt of a notice from non-operating Concessionaires detailing the alleged breach or failed to diligently pursue the cure to completion. Any decision of Concessionaires to give notice of breach to Operator or to remove Operator under this provision shall be made by an affirmative vote of one (1) or more of the total number of Concessionaires other than the Operator, holding a combined Participating Interest of at least fifty one percent (51%). However, if Operator disputes such alleged commission of or failure to cure a material breach, then Operator shall remain appointed and no successor Operator may be appointed until the conclusion of dispute resolution proceedings under Article 19.2 in relation to such breach, subject to the terms of Article 9.3 with respect to Operator's breach of its payment obligations.

C. If Operator, together with any of its Affiliated Companies, is or becomes the holder of a Participating Interest of less than twenty-five percent (25%), then Operator shall be required to promptly notify the other Concessionaires. The Operating Committee shall



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then vote within thirty (30) days of such notification on whether or not a successor Operator should be appointed pursuant to Article 5.12.

- D. If there is a direct or indirect change in Control of Operator, Operator shall be required to promptly notify the other Concessionaires. The Operating Committee shall vote within thirty (30) days of such notification on whether or not a successor Operator should be named pursuant to Article 5.12.

5.12 Appointment of Successor

When a change of Operator occurs pursuant to Articles 5.10 or 5.11:

- A. The Operating Committee shall meet as soon as possible to appoint a successor Operator pursuant to the voting procedure of Article 6.9. No Concessionaire may be appointed successor Operator against its will. In the event that a successor Operator is not appointed within a period of one hundred and eighty (180) days from date of resignation or removal of the Operator, the successor Operator shall be appointed by the Government.
- B. If Operator is removed, other than in the case of Articles 5.11(C) or 5.11(D), neither Operator nor any Affiliated Company of Operator shall have the right to be considered as a candidate for the successor Operator.
- C. The resigning or removed Operator shall be compensated out of the Joint Account for its reasonable expenses directly related to its resignation or removal, except in the case of Article 5.11(B).
- D. The resigning or removed Operator and the successor Operator shall arrange for the taking of an inventory of all Joint Property and Petroleum, and an audit of the books and records of the resigning or removed Operator. Such inventory and audit shall be completed, if possible, no later than the effective date of the change of Operator and shall be subject to the approval of the Operating Committee. The liabilities and expenses of such inventory and audit shall be charged to the Joint Account.
- E. The resignation or removal of Operator and its replacement by the successor Operator shall not become effective prior to receipt of any necessary Government approvals.
- F. Upon the effective date of the resignation or removal of the Operator, the successor Operator shall succeed to all duties, rights and authority prescribed for Operator. The former Operator shall transfer to the successor Operator custody of all Joint Property, books of account, records and other documents maintained by Operator pertaining to the EPCC Area and to Joint Petroleum Operations. Upon delivery of the above described property and data, the former Operator shall be released and discharged from all obligations and liabilities as Operator accruing after such date.
- G. On any Concessionaire becoming Operator pursuant to the foregoing Articles, the provisions of this Agreement regarding Operator shall apply accordingly to any successor Operator.



5.13 Assistance of Concessionaires

Upon request of Operator the other Concessionaires shall provide at cost to the Joint Account assistance as may be reasonably required to obtain any Government approvals, permits, and other documents necessary to enable Operator to carry out its duties under this Agreement and the obligations of Concessionaire under the EPCC.

Article 6. OPERATING COMMITTEE

6.1 Establishment of Operating Committee

Each Concessionaire shall appoint one (1) representative and one (1) alternate representative to serve on the Operating Committee. Each Concessionaire shall as soon as possible after the date of this Agreement give notice in writing to the other Concessionaires of the name and address of its representative and alternate representative to serve on the Operating Committee. Each Concessionaire shall have the right to change its representative and alternate at any time by giving a ten (10) days prior notice of such change to the other Concessionaires.

6.2 Powers and Duties of Operating Committee

Unless otherwise provided, the Operating Committee shall have power and duty to authorize and supervise Joint Petroleum Operations under the EPCC that are necessary to fulfil the rights and obligations, in accordance with this Agreement and in a manner appropriate in the circumstances.

6.3 Authority to Vote

The representative of a Concessionaire, or in his absence his alternate representative, shall be authorized to represent and bind such Concessionaire with respect to any matter which is within the powers of the Operating Committee and is properly brought before the Operating Committee. Each such representative shall have a vote equal to the Participating Interest of the Concessionaire such Person represents. Each alternate representative shall be entitled to attend all Operating Committee meetings but shall have no vote at such meetings except in the absence of the representative for whom he is the alternate. In addition to the representative and alternate representative, each Concessionaire may also bring to any Operating Committee meetings such technical and other advisors as the Concessionaire may deem appropriate.

6.4 Subcommittees

The Operating Committee shall establish technical and financial subcommittees, and may establish such other subcommittees as the Operating Committee may deem appropriate. The functions of such subcommittees shall be in an advisory capacity or as otherwise determined unanimously by the Concessionaires. Each Concessionaire shall have the right to appoint a representative to each subcommittee. Each Concessionaire may also bring to any subcommittee meetings such technical, financial and other advisors as the Concessionaire may deem appropriate.

6.5 Notice of Meeting



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- A. Operator may call a meeting of the Operating Committee by giving notice to the Concessionaires at least fifteen (15) days in advance of such meeting. A copy of such notice shall simultaneously be submitted to the INP.
- B. Any Concessionaire may request a meeting of the Operating Committee by giving notice to all the other Concessionaires. Upon receiving such request, Operator shall call such meeting for a date not less than fifteen (15) days nor more than thirty (30) days after receipt of the request.
- C. The notice periods above may only be waived with the unanimous consent of all the Concessionaires eligible to cast a vote.

6.6 Contents of Meeting Notice

- A. Each notice of a meeting of the Operating Committee as provided by Operator shall contain:
 - 1) The date, time and location of the meeting;
 - 2) An agenda of the matters and proposals to be considered and/or voted upon; and
 - 3) Copies of all proposals to be considered at the meeting (including all appropriate supporting information not previously distributed to the Concessionaires).
- B. A Concessionaire, by notice to the other Concessionaires given not less than seven (7) days prior to a meeting, may add additional matters to the agenda for a meeting.
- C. On the request of a Concessionaire, and with the unanimous consent of all Concessionaires, the Operating Committee may consider at a meeting a proposal not contained in such meeting agenda.

6.7 Location of Meetings

All meetings of the Operating Committee shall be held in Maputo, unless special circumstances warrant otherwise. If an Operating Committee meeting is to be convened elsewhere, the location shall be as the Operating Committee unanimously may decide. A notice of the decision and its justifications shall be submitted to INP. Each Concessionaire shall bear its own costs associated with participating in Operating Committee meetings (and other sub-committees).

6.8 Operator's Duties for Meetings

- A. With respect to meetings of the Operating Committee and any subcommittee, Operator's duties shall include:
 - 1) Timely preparation and distribution of the agenda;
 - 2) Organization and conduct of the meeting; and
 - 3) Preparation of a written record or minutes of each meeting.



B. Operator shall have the right to appoint the chairman of the Operating Committee and all subcommittees.

6.9 Voting Procedure

- A. Except as otherwise provided in this Agreement, all decisions, approvals and other actions of the Operating Committee on all proposals coming before it shall be decided by the affirmative vote of a majority of Concessionaires which are not Affiliated Companies collectively holding at least sixty-five percent (65%) of the Participating Interests ("Pass Mark"), except where there are only two Concessionaires, where all such matters will be decided in favour of a proposal receiving the largest Participating Interest vote. In the event that this Pass Mark Vote is not achieved for matters subject to Article 6.9.C. a meeting of the technical or financial (as applicable) subcommittee shall be called no sooner than within fifteen (15) days to review and discuss all competing proposals. A subsequent meeting of the Operating Committee may be called fifteen (15) days from the date of such technical or financial (as applicable) subcommittee meeting.
- B. Notwithstanding Article 6.9.A, unanimous approval of the representatives of the Concessionaires shall be required for all decisions of the Operating Committee regarding:
- 1) The voluntary relinquishment of all or part of the EPCC Area;
 - 2) The voluntary termination of the EPCC;
 - 3) Any amendment of this Agreement or of the EPCC;
 - 4) Unitization of any part of the EPCC Area;
 - 5) Submitting a Development Plan and the final investment decision for the Development of any field; provided that if unanimity cannot be attained after due efforts and discussions the Exclusive Operations provisions of Article 8 shall be applicable.
- C. Notwithstanding the foregoing provisions of this Article 6.9, if the Operating Committee has not decided on the measures to be taken for the proper fulfilment of any minimum work commitment relevant to any Exploration sub-period or a proposal for cessation of Petroleum Operations and Decommissioning of Facilities procedure under Article 11, because of failure to reach the Pass Mark Vote, then Operator shall convene a meeting of the Operating Committee within thirty (30) days after the Operating Committee failed to make any such decision. At that meeting, proposals for such additional work programs and budgets as may be necessary to maintain the EPCC in full force and effect or for the procedures related to the plugging and abandonment of a Well or cessation of Petroleum Operations and Decommissioning of Facilities in accordance with applicable law and the EPCC, if appropriate, shall be considered and voted on by the Operating Committee. If the Operating Committee fails to reach the Pass Mark Vote, approval of such proposals shall be decided by a vote of two (2) or more Concessionaires which are not Affiliated Companies, then having collectively at least fifty-one percent (51%) of all the Participating Interests. If no proposal receives such simple majority, then the proposal receiving the highest Participating Interest vote shall prevail.



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D. The Operator shall consult in good faith with all the Concessionaires in respect of all decisions, approvals and other actions of the Operating Committee on all proposals coming before it but, in the event of disagreement, the voting rights set out in Article 6.9 (A) shall apply.

E. If a transfer of Participating Interest results in a change in the number of Concessionaires or in the distribution of Participating Interest among Concessionaires in the EPCC, then the Concessionaires shall submit to the MIREME for approval a proposal for adjustment of the requirement and procedures for a pass mark vote pursuant to 6.9 (A).

F. If such proposal is not supported by all Concessionaires, the relevant alternative proposed voting rules shall also be submitted to MIREME for approval.

6.10 Record of Votes

The chairman of the Operating Committee shall appoint a secretary who shall make a record of each proposal voted on and the results of such voting at each Operating Committee meeting. Each Concessionaire's representative shall sign and be provided a copy of such record at the end of such meeting, and it shall be considered the final record of the decisions of the Operating Committee.

6.11 Minutes

The secretary shall provide each Concessionaire with a copy of the minutes of the Operating Committee meeting within fifteen (15) Business Days after the end of the meeting. Each Concessionaire shall have fifteen (15) days after receipt of such minutes to give notice to the secretary of its objections to the minutes. A failure to give notice specifying objection to such minutes within said fifteen (15) day period shall be deemed to be approval of such minutes. In any event, the votes recorded under Article 6.10 shall take precedence over the minutes of the Operating Committee meeting.

6.12 Voting by Notice

A. In lieu of a meeting, any Concessionaire may submit any proposal to the Operating Committee for a vote by notice. The proposing Concessionaire or Concessionaires shall notify Operator who shall give each Concessionaire's representative notice describing the proposal so submitted and whether Operator considers such operational matter to require urgent determination. Operator shall include with such notice adequate documentation in connection with such proposal to enable the Concessionaires to make a decision. Each Concessionaire shall communicate its vote by notice to Operator and the Concessionaires within one of the following appropriate time periods after receipt of Operator's notice:

- 1) Forty-eight (48) hours in the case of Petroleum Operations which involve the use of a drilling rig that is standing by in the EPCC Area and such other operational matters reasonably considered by Operator to require by their nature urgent determination; and



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2) fifteen (15) days in the case of all other proposals.

B. Except in the case of Article 6.12(A)(1), any Concessionaire may, by notice delivered to all Concessionaires within five (5) days of receipt of Operator's notice, request that the proposal be decided at a meeting rather than by notice. In such an event, that proposal shall be decided at a meeting duly called for that purpose.

C. Except as provided in Article 11, any Concessionaire failing to communicate its vote in a timely manner shall be deemed to have voted against such proposal.

D. If a meeting is not requested, then at the expiration of the appropriate time period, Operator shall give each Concessionaire a confirmation notice with a copy to INP, stating the tabulation and results of the vote.

6.13 Effect of Vote

All decisions taken by the Operating Committee pursuant to this Article 6, shall be conclusive and binding on all the Concessionaires, except in the following cases:

A. If pursuant to this Article, a Joint Petroleum Operation or Exclusive Petroleum Operations, as the case may be, has been properly proposed to the Operating Committee and the Operating Committee has not approved such proposal in a timely manner, then any Concessionaire that voted in favour of such proposal shall have the right for the appropriate period specified below to propose, in accordance with Article 8, an Exclusive Petroleum Operation involving activities essentially the same as those proposed for such Joint Petroleum Operation.

1) For proposals related to urgent operational matters, such right shall be exercisable for twenty-four (24) hours after the time specified in Article 6.12(A)(1) has expired or after receipt of Operator's notice given to the Concessionaires pursuant to Article 6.13(D), as applicable.

2) For proposals to develop a Discovery, such right shall be exercisable for thirty (30) days after the date the Operating Committee was required to consider such proposal pursuant to Articles 6.6 or 6.12.

3) For all other proposals, such right shall be exercisable for thirty (30) days after the date the Operating Committee was required to consider such proposal pursuant to Articles 6.6 or 6.12.

B. If a Concessionaire voted against any proposal which was approved by the Operating Committee and which could be conducted as an Exclusive Petroleum Operation pursuant to Article 8, then such Concessionaire shall have the right not to participate in the operation contemplated by such approval. Any such Concessionaire wishing to exercise its right of non-consent must give notice of non-consent to all other Concessionaires within five (5) days (or twenty-four (24) hours for urgent operational matters) following Operating Committee approval of such proposal. If a Concessionaire exercises its right of non-consent, the Concessionaires who were not entitled to give or did not give notice of non-consent shall be



Consenting Concessionaires as to the operation contemplated by the Operating Committee approval, and shall conduct such activities as an Exclusive Petroleum Operation under Article 8; provided, however, that any such Concessionaire who was not entitled to give or did not give notice of non-consent may, by notice provided to the other Concessionaires within five (5) days (or twenty-four (24) hours for urgent operational matters) following the notice of non-consent given by any Non-Consenting Concessionaire, require that the Operating Committee vote again on the proposal in question. Only the Concessionaires which were not entitled to or have not exercised their right of non-consent with respect to the contemplated activities shall participate in such second vote of the Operating Committee, with voting rights proportional to their respective Participating Interests. If the Operating Committee approves again the contemplated activities, any Concessionaire which voted against the contemplated activities in such second vote may elect to be a Non-Consenting Concessionaire with respect to such operation, by notice of non-consent provided to all other Concessionaires within five (5) days (or twenty-four (24) hours for urgent operational matters) following the Operating Committee's second approval of such contemplated activities.

C. If the Consenting Concessionaires to an Exclusive Petroleum Operation under Article 6.13(A) or Article 6.13(B) concur, then the Operating Committee may, at any time, pursuant to this Article, reconsider and approve, decide or take action on any proposal that the Operating Committee declined to approve earlier, or modify or revoke an earlier approval, decision or action.

D. Once a Joint Petroleum Operation for the drilling, Deepening, Testing, Sidetracking, Plugging Back, Completing, Recompleting, Reworking, or plugging of a Well has been approved and commenced, such operation shall not be discontinued without the consent of the Operating Committee; provided, however, that such operation may be discontinued if:

- 1) An impenetrable substance or other condition in the hole is encountered which in the reasonable judgment of Operator causes the continuation of such operation to be impractical; or
- 2) Other circumstances occur which in the reasonable judgment of Operator cause the continuation of such operation to be unwarranted and the Operating Committee, within the period required under Article 6.12(A) (1) after receipt of Operator's notice, approves discontinuing such operation

On the occurrence of either of the above, Operator shall promptly notify the Concessionaires that such operation is being discontinued pursuant to the foregoing, and any Concessionaire shall have the right to propose in accordance with Article 8 an Exclusive Petroleum Operation to continue such operation.

6.14 Unitization Principles

A. If the Concessionaires pursuant to applicable Petroleum law pursue unitization with another adjoining Concession Contract Area under the terms of the EPCC and this Agreement, the Concessionaires shall in good faith negotiate and conclude the terms of a unitization agreement with the holders of the adjoining Concession Contract Area.



B. Such unitization agreement shall be subject to the Petroleum Law and based on the existing EPCC and existing agreements, and shall include the following principles so far as practicable:

- 1) Petroleum Operations in the unitized area shall be based on efficient resource management and maximum economic recovery of Petroleum;
- 2) The Petroleum Operations in the unitized area shall be conducted by one Operator, which shall hold a Participating Interest of at least twenty-five percent (25%) in one of the relevant EPCCs;
- 3) The equity determination or re-determination process shall provide for use of all relevant technical data and Production experience;
- 4) The equity determination and re-determination process shall include an initial equity determination and the availability of at least one (1) re-determination;
- 5) With the unanimous agreement of the unitization participants, it shall be permissible not to pursue a scheduled re-determination; and
- 6) Equity parameters shall be developed on a fair and equitable basis, consistent with sound engineering, technical, and economic principles, to allow each unit participant to achieve its fair and equitable share of unit Production.



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Article 7.

WORK PROGRAMMES AND BUDGETS

7.1 Exploration and Appraisal

A. Within sixty (60) days after the Effective Date, Operator shall deliver to the Concessionaires a proposed work programme and budget detailing the Joint Petroleum Operations to be performed for the remainder of the current calendar year and, if appropriate, for the following calendar year. Within thirty (30) days of such delivery, the Operating Committee shall meet to agree on a work programme and budget.

B. On or before the 1st day of September every year, Operator shall deliver to the Concessionaires a proposed work programme and budget detailing the Joint Petroleum Operations to be performed for the following calendar year. Within thirty (30) days of such delivery, the Operating Committee shall meet to consider and to endeavour to agree on a work programme and budget.

C. If a Discovery is made, Operator shall deliver notice of Discovery required pursuant to the EPCC and the applicable law and shall as soon as possible submit to the Concessionaires a report containing available details concerning the Discovery and Operator's recommendation as to whether the Discovery merits appraisal. If the Operating Committee determines that the

Discovery merits appraisal, then Operator shall within sixty (60) days, deliver to the Concessionaires a proposed work programme and budget for the appraisal of the Discovery. Within thirty (30) days of such delivery, or earlier if necessary to meet any applicable deadline pursuant to applicable Petroleum law or the EPCC, the Operating Committee shall meet to consider, modify and then either approve or reject the appraisal work programme and budget. If the appraisal work programme and budget is approved by the Operating Committee, Operator shall take such steps as may be required pursuant to applicable law and the EPCC to secure approval of the appraisal work programme and budget by the Government. In the event the Government requires changes in the appraisal work programme and budget, the matter shall be resubmitted to the Operating Committee for further consideration.

D. The work programme and budget agreed pursuant to this Article shall include at least that part of the Exploration work commitment required to be carried out during the calendar year in question pursuant to the EPCC. If within the time periods prescribed in this Article 7.1 the Operating Committee is unable to agree on such an Exploration work programme and budget, then the proposal capable of satisfying the Exploration work commitment for the calendar year in question that receives the largest Participating Interest vote (even if less than the applicable percentage under Article 6.9) shall be deemed adopted as part of the annual work programme and budget. If competing proposals receive equal votes, then Operator shall choose between those competing proposals. Any portion of a work programme and budget adopted pursuant to this Article 7.1(D) instead of Article 7.1(B) shall contain only such operations for the Joint Account as are necessary to maintain the EPCC in full force and effect, including such operations as are necessary to fulfil the Exploration work commitment required for the given calendar year.

E Any approved work programme and budget may be revised by the Operating



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Committee from time to time. To the extent such revisions are approved by the Operating Committee, the work programme and budget shall be amended accordingly. Operator shall prepare and submit a corresponding work programme and budget amendment to the Government if as required by the EPCC.

F. Subject to Article 7.8.(C), approval of any such work programme and budget shall include:

- 1) An Exploration Well, whether by drilling, Deepening or Sidetracking, shall include approval for all expenditures necessary for drilling, Deepening, Sidetracking and Completing, as applicable, and, subject to Operating Committee approval, Testing and Completing an Exploration Well.
- 2) An Appraisal Well, whether by drilling, Deepening or Sidetracking, shall include approval for all expenditures necessary for drilling, Deepening, Sidetracking and Completing, as applicable, and, subject to Operating Committee approval, Testing and Completing such Appraisal Well.

G. Any Concessionaire desiring to propose a Completion attempt, or an alternative Completion attempt, must do so within the time period provided in Article 6.12(A)(1) by notifying all other Concessionaires. Any such proposal shall include an AFE for such Completion costs.

7.2 Development

A. If the Operating Committee determines that a Discovery may be a Commercial Discovery, Operator shall as soon as practicable submit to the Concessionaires a Development Plan together with the first annual work programme and budget (or a multi-year work programme and budget pursuant to Article 7.5) and provisional work programmes and budgets for the remainder of the activities related to the Development of the Discovery, which shall contain, inter alia:

- 1) Details of the proposed Petroleum Operations to be undertaken, personnel required and expenditures to be incurred, including the timing of same, on a calendar year basis;
- 2) An estimated date for the commencement of Production;
- 3) A delineation of the proposed Development and Production Area; and
- 4) Any other information requested by the Operating Committee.

B. After receipt of the Development Plan and prior to any applicable deadline pursuant to applicable Petroleum law and the EPCC, the Operating Committee shall meet to consider, modify and then either approve or reject the Development Plan and the first annual work programme and budget for the Development of a Discovery, as submitted by Operator. If the Operating Committee determines that the Discovery is Commercial and approves the corresponding Development Plan, Operator shall, as soon as possible, deliver any notice of Commercial Discovery required pursuant to applicable law and take such other steps as may



be required pursuant to the EPCC to secure approval of the Development Plan by the Government. In the event the Government requires changes in the Development Plan, the matter shall be resubmitted to the Operating Committee for further consideration.

C. If the Development Plan is approved by the Government, such Petroleum Operations as required by the plan shall be incorporated into and form part of annual work programmes and budgets, and Operator shall, on or before the 1st day of September of every year submit work programme and budget for the Production and Development Area, for the following calendar year. Subject to Article 7.5, within thirty (30) days after such submittal, the Operating Committee shall endeavour to agree to such work programme and budget, including any revisions to the work programme and budget for the Development Plan approved by Government.

7.3 Production

On or before the 1st day of September of every year Operator shall deliver to the Concessionaires a proposed Production work programme and budget detailing the Joint Petroleum Operations to be performed pursuant to an approved Development Plan in the relevant Development and Production Area, and the projected Production schedule for the following calendar year. Within thirty (30) days of such delivery, the Operating Committee shall agree upon a Production work programme and budget, failing which the provisions of Article 7.1(D) shall be applied mutatis mutandis.

7.4 Itemization of Expenditures

A. During the preparation of the proposed work programmes and budgets and Development Plans contemplated in this Article, Operator shall consult with the Operating Committee or the appropriate subcommittees regarding the contents of such work programmes and budgets and Development Plans.

B. Each work programme and budget and Development Plan submitted by Operator to the relevant subcommittees and the Operating Committee shall contain an itemized estimate of the costs of the relevant Joint Petroleum Operations and all other expenditures to be made for the applicable Joint Account during the calendar year in question and shall, inter alia:

- 1) Identify each work category in sufficient detail to afford the ready identification of the nature, scope and duration of the activity in question;
- 2) Include such reasonable information regarding Operator's allocation procedures and estimated manpower costs as the Operating Committee may determine;
- 3) Comply with the requirements of the EPCC;
- 4) Indicate items that will be subject to AFE approval;
- 5) Indicate items that the Operator considers not to be cost recoverable in accordance with applicable law and the EPCC.



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C. The work programme and budget shall designate the portion or portions of the EPCC Area in which Joint Petroleum Operations itemized in such work programme and budget are to be conducted and shall specify the kind and extent of such operations in such detail as the Operating Committee may deem suitable.

7.5 Multi-Year Work Programme and Budget

Any work that cannot be efficiently completed within a single calendar year may be proposed in a multi-year work programme and budget. Upon approval by the Operating Committee, such multi-year work programme and budget shall, subject only to revisions approved by the Operating Committee thereafter: (i) remain in effect as between the Concessionaires (and the associated cost estimate shall be a binding pro-rata obligation of each Concessionaire) through the completion of the work; and (ii) be reflected in each annual work programme and budget. If the EPCC requires that work programmes and budgets be submitted to the Government for approval, such multi-year work programme and budget shall be submitted to the Government either in a single request for a multi-year approval or as part of the annual approval process, according to the terms of the EPCC.

7.6 Contract Awards

- A. The Operator shall in accordance with applicable law give preference to the purchase of Mozambican goods and services.
- B. Subject to applicable law and the EPCC, Operator shall award each contract for Joint Petroleum Operations on the following basis (the amounts stated are in U.S. dollars, inclusive of taxes):

	Procedure A	Procedure B	Procedure C
Exploration and Appraisal Operations	0 to \$1,250,000	> \$1,250,000 to \$3,000,000,	> \$3,000,000
Development Operations	0 to \$3,000,000	> \$3,000,000 to \$5,000,000	> \$5,000,000
Production Operations	0 to \$3,000,000	> \$3,000,000 to \$5,000,000	> \$5,000,000
Decommissioning Operations	0 to \$1,000,000	> \$1,000,000 to \$2,500,000	> \$2,500,000

1) Procedure A

- i. Operator shall have the authority to award the contract to a third party contractor, within the amounts set out in this Procedure A in Article 7.6, to the best qualified third party contractor, as determined by cost, quality, safety, environmental performance, and ability to perform the contract properly, on time, within budgeted cost, and in compliance with applicable law and



contractual requirements, without the obligation to tender and without informing or seeking the approval of the Operating Committee.

- ii. Contracts in excess of the amounts set out in Procedure A in Article 7.6 shall follow the procedure B or C, below, as applicable, and be competitively bid, unless the Operating Committee otherwise agrees.
- iii. Upon the request of a Concessionaire, Operator shall provide such Concessionaire a copy of the executed contract.

2) Procedure B

- i. Subject to Article 7.6(1), Operator shall have the authority to award the contract, or a series of related contracts, to the same contractor, which is a third-party contractor, for aggregate amounts equal to or ranging between the minimum and maximum amounts set out under Procedure B in Article 7.6.
- ii. Contract awards within the amounts set out in Procedure B shall be competitively bid, unless the Operating Committee otherwise agrees.
- iii. Operator shall, after complying with the initial requirements for a tender:
 - a. provide the Concessionaires and INP with a list of the entities whom Operator proposes to invite to tender for the said contract;
 - b. add to such list any entity whom a Concessionaire and INP reasonably requests to be added within fourteen (14) calendar days of receipt of such list;
 - c. complete the tendering process within a reasonable period of time;
 - d. inform the Concessionaires and INP of the entities to whom the contract has been awarded, provided that before awarding contracts to Affiliated Companies of Operator, Operator shall obtain the approval of the Operating Committee; and
 - e. circulate to the Concessionaires a competitive bid analysis stating the reasons for the choice made.
- iv. Contract awards in excess of the amounts set out in Procedure B of Article 7.6 shall be subject to Procedure C (Operating Committee approval), unless otherwise agreed.
- v. Upon the request of a Concessionaire, Operator shall provide such Concessionaire a copy of the executed contract.

3) Procedure C

- i. Operator shall, after complying with the initial requirements for a tender:
 - a. provide the Concessionaires and INP with a list of the entities whom Operator proposes to invite to tender for the said contract;
 - b. add to such list any entity whom a Concessionaire reasonably requests to be added within fourteen (14) calendar days of receipt of such list;
 - c. complete the tendering process within a reasonable period of time; and



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- ii. Operator shall provide the Operating Committee an award recommendation that contains the following:
 - (a) A list of the entities whom Operator invited to tender for the said contract;
 - (b) A list of other contractors/suppliers considered;
 - (c) The scope and timing of the work to be executed; and
 - (d) A competitive bid analysis, stating Operator's recommendation as to the entity to whom the contract should be awarded, and the reasons therefore.
 - iii. After providing an award recommendation under Article 7.6(3)i., Operator shall obtain the approval of the Operating Committee of the recommended award.
 - iv. Upon the request of a Concessionaire, the Operator shall provide such Concessionaire and the INP with a copy of the final version of the contract.
- 4) Notwithstanding anything to the contrary in this Agreement Operator shall, to the extent permitted by applicable law, have the authority to award any contract, or a series of related contracts for an amount less than or equal to five hundred thousand United States dollars (\$500,000) to an Affiliated Company of Operator. For contract awards to Affiliates in excess of that amount, Operating Committee approval shall be required.
- 5) Notwithstanding anything to the contrary in this Agreement, Operator shall be required to obtain the prior approval of the Operating Committee before awarding any contract to a Non-Operator or an Affiliated Company of a Non-Operator.
- 6) The Operating Committee may by vote accept a contract issued without any tender required above, for reasons stated in the materials provided for such vote.
- 7) The Operating Committee shall as soon as reasonably possible following the approval of a Development Plan agree a Procurement Strategy detailing procedures for Contract Awards in compliance with this Article 7.6, the EPCC and applicable law, and shall submit this to the INP for approval.

All contracts entered into by the Operator shall be available for audit under the provisions of this Agreement and as may be requested pursuant to the Mozambican laws.

7.7 Authorization for Expenditure ("AFE") Procedure

- A. Prior to incurring any commitment or expenditure for the Joint Account, which are estimated to be:
- 1) In excess of two million United States Dollars (US\$ 2,000,000) in an exploration or appraisal work programme and budget;
 - 2) In excess of five million United States Dollars (US\$ 5,000,000) in a development work programme and budget; and



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- 3) in excess of five million United States Dollars (US\$ 5,000,000) in a Production or Decommissioning work programme and budget.

Operator shall send to each Concessionaire an AFE as described in Article 7.7(C).

Notwithstanding the above, Operator shall not be obliged to furnish an AFE to the Concessionaires with respect to any work commitment, work-overs of Wells and general and administrative costs that are listed as separate line items in an approved work programme and budget.

B. Prior to making any expenditures or incurring any commitments for work subject to the AFE procedure in Article 7.7(A), Operator shall obtain the approval of the Operating Committee to an AFE for cost and technical control purposes. A Concessionaire may vote to disapprove an AFE issued in furtherance of an approved work programme and budget only if (i) some or all of the costs described in the AFE exceed the line items in the approved work programme and budget by more than is permitted under Article 7.8; (ii) the proposed terms of any third party contract described in the AFE do not approximate fair market terms; or (iii) in such Concessionaire's good faith opinion, any material technical specifications contained in the AFE that are not in the approved work programme and budget are imprudent or are not supported by the known data about the geological formations being drilled. A Concessionaire's vote shall be considered a vote to approve the AFE unless the Concessionaire specifically describes one or more of the three reasons listed above as the basis for its vote of disapproval. If the Operating Committee approves an AFE for the Joint Petroleum Operations within the applicable time period under Article 6.12(A), Operator shall be authorized to conduct the Joint Petroleum Operations under the terms of this Agreement. If the Operating Committee fails to approve an AFE for the Joint Petroleum Operations within the applicable time period, the activities shall be deemed rejected. Operator shall promptly notify the Concessionaires if the activities have been rejected, and, subject to Article 8, any Concessionaire may thereafter propose to conduct the activities as an Exclusive Petroleum Operation under Article 8. When a Joint Petroleum Operation is rejected under this Article 7.7(B) or an activity is approved for differing amounts than those provided for in the applicable line items of the approved work programme and budget, the work programme and budget shall be deemed to be revised accordingly

C. Each AFE proposed by Operator shall:

- 1) Identify the Petroleum Operation by specific reference to the applicable line items in the work programme and budget;
- 2) Describe the work in detail;
- 3) Contain Operator's best estimate of the total funds required to carry out such work;
- 4) Outline the proposed work schedule;
- 5) Provide a timetable of expenditures, if known; and
- 6) Be accompanied by such other supporting information as is necessary for a decision.



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7.8 Over-expenditures of Work Programmes and Budgets

A. For expenditures on any line item of an approved work programme and budget, Operator shall be entitled to incur without further approval of the Operating Committee an over-expenditure for such line item up to ten percent (10%) of the authorized amount for such line item; provided that the cumulative total of all over expenditures for a calendar year shall not exceed five percent (5%) of the total annual work programme and budget in question.

B. At such time Operator reasonably anticipates the limits of Article 7.8(A) will be exceeded, Operator shall furnish to the Operating Committee a supplemental AFE for the estimated expenditures for the Operating Committee's approval, and Operator shall provide reasonable details of such over expenditures. The work programme and budget shall be revised accordingly and the over expenditures permitted in Article 7.8(A) shall be based on the revised work programme and budget. Operator shall promptly give notice of the amounts of over expenditures when actually incurred.

C. The restrictions contained in this Article shall be without prejudice to Operator's rights to make expenditures for urgent operational matters and measures set out in Article 14.5 without the Operating Committee's approval. In case of emergency, Operator may make such immediate expenditures, incur liabilities and/or take such actions as it deems necessary for the protection of life, safety, environment and property. Operator shall submit any necessary budget revision to the Operating Committee for approval and incorporation into the relevant Work Program and Budget as soon as practicable.

D. Subject to the provisions of this Article 7, Operator may during any calendar year make expenditures or incur liabilities on behalf of the Concessionaires in respect of Joint Petroleum Operations for non-budgeted items which in the aggregate do not exceed the equivalent of two hundred and fifty thousand United States Dollars (USD 250,000); provided, that such items have not been rejected by the Operating Committee. Operator shall, as soon as practicably, report such expenditures to the Parties where after the said aggregate amount may, if the Operating Committee agrees, be re-instated as part of the relevant Work Program and Budget.

Article 8.

EXCLUSIVE PETROLEUM OPERATIONS

8.1 Limitation on Applicability

A. No Petroleum Operations may be conducted in furtherance of the EPCC except as Joint Petroleum Operations under Article 7 or as Exclusive Petroleum Operations under this Article. No Exclusive Petroleum Operation shall be conducted (other than the tie-in of Exclusive Petroleum Operation facilities with existing Production Facilities pursuant to Article 8.10) which conflicts with a previously approved Joint Petroleum Operation or with a previously approved Exclusive Petroleum Operation. Except for Exclusive Petroleum Operations relating to geophysical operations in excess of the work required to fulfil the Exploration work commitment during any particular Exploration sub-period pursuant to the EPCC, and Deepening, Testing, Completing, Sidetracking, Plugging Back, Recompletions or



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Reworking of a Well originally drilled to fulfil the Exploration work obligations, no Exclusive Petroleum Operations may be proposed or conducted until the Exploration work obligations for all Exploration sub-periods are fulfilled.

B. Operations which are required to fulfil the Exploration work commitment during any particular Exploration sub-period must be proposed and conducted as Joint Petroleum Operations under Article 7, and may not be proposed or conducted as Exclusive Petroleum Operations under this Article.

C. No Concessionaire may propose or conduct an Exclusive Petroleum Operation under this Article unless and until such Concessionaire has properly exercised its right to propose an Exclusive Petroleum Operation pursuant to Article 6.13, or is entitled to conduct an Exclusive Petroleum Operation pursuant to Article 11.

D. Any Petroleum Operation that may be proposed and conducted as a Joint Petroleum Operation, other than Petroleum Operations pursuant to an approved Development Plan, may be proposed and conducted as an Exclusive Petroleum Operation, subject to the terms of this Article. Any operation to be proposed as an Exclusive Petroleum Operation must be initially proposed as a Joint Petroleum Operation. For the avoidance of doubt, the following Petroleum Operations may, subject to the applicable Petroleum law, the EPCC and provisions of this Agreement, be carried out as Exclusive Petroleum Operations. Such Petroleum Operations may include, but is not necessarily limited to:

- Drilling, and/or Testing of Exploration Wells and Appraisal Wells;
- Completion of Exploration Wells and Appraisal Wells not then completed as productive of Petroleum;
- Deepening, Sidetracking, Plugging Back and/or Recompletion of Exploration Wells and Appraisal Wells;
- Development of a Commercial Discovery in accordance with a Development Plan submitted pursuant to the EPCC; and
- Seismic or other geological or geophysical operations

E. For the avoidance of doubt, no Exclusive Petroleum Operation may be conducted in a Zone from which there has been Production testing or Production of Crude Oil or Natural Gas, other than a Development of a Discovery by one or more Consenting Concessionaires.

F. For the avoidance of doubt, if ENH is a Consenting Concessionaire in an Exclusive Operation, the Carry obligations of the other Consenting Concessionaires shall remain limited to ENH's Participating Interest as set forth in Article 4.4(A) (i.e. they shall not extend to the incremental part of such interest resulting from ENH being a Consenting Concessionaire).

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8.2 Procedure to Propose Exclusive Petroleum Operations

A. Subject to Article 8.1, if any Concessionaire proposes to conduct an Exclusive

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Petroleum Operation, such Concessionaire shall give notice of the proposed operation to all Concessionaires, other than Non-Consenting Concessionaires who have relinquished their rights to participate in such activities pursuant to Article 8.4(B) or Article 8.4(F) and have no option to reinstate such rights under Article 8.4(C). Such notice shall specify that such Petroleum Operation is proposed as an Exclusive Petroleum Operation and include the work to be performed, the location, the objectives, and estimated cost of such Petroleum Operation.

B. Any Concessionaire entitled to receive such notice shall have the right to participate in the proposed Petroleum Operation.

1) For proposals to Deepen, Test, Complete, Sidetrack, Plug Back, Recomplete or Rework involving the use of a drilling rig that is on location in the EPCC Area, any such Concessionaire wishing to exercise such right must so notify the proposing Concessionaire and Operator within twenty-four (24) hours after receipt of the notice proposing the Exclusive Petroleum Operation.

2) For proposals to develop a Discovery, any Concessionaire wishing to exercise such right must so notify Operator and the Concessionaire proposing to develop within sixty (60) days after receipt of the notice proposing the Exclusive Petroleum Operation.

3) For all other proposals, any such Concessionaire wishing to exercise such right must so notify the proposing Concessionaire and Operator within thirty (30) days after receipt of the notice proposing the Exclusive Petroleum Operation.

C. Failure of a Concessionaire to whom a proposal notice is delivered to properly reply within the period specified above shall constitute an election by that Concessionaire not to participate in the proposed activities.

D. If all Concessionaires properly exercise their rights to participate, then the proposed operation shall be conducted as a Joint Petroleum Operation. Operator shall commence such Joint Operation as promptly as practicable and conduct it with due diligence.

E. If fewer than all Concessionaires entitled to receive such proposal notice properly exercise their rights to participate, then:

1) The Concessionaire proposing the Exclusive Petroleum Operation, together with any other Consenting Concessionaires, shall have the right exercisable for the applicable notice period set out in Article 8.2(B), to instruct Operator (subject to Article 8.12(E)) to conduct the Exclusive Petroleum Operation.

2) If the Exclusive Petroleum Operation is conducted, the Consenting Concessionaires shall bear a Participating Interest in such Exclusive Petroleum Operation, the numerator of which is such Consenting Concessionaire's Participating Interest as established in the EPCC and the denominator of which is the aggregate of the Participating Interests of the Consenting Concessionaires, or as the Consenting Concessionaires may otherwise agree, subject to Government approval.



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- 3) If such Exclusive Petroleum Operation has not been commenced within one hundred and eighty (180) days (excluding any extension specifically agreed by all Concessionaires or allowed by the Force Majeure provisions of Article 17) after the date of the instruction given to Operator under Article 8.2(E)(1), the right to conduct such Exclusive Petroleum Operation shall terminate. If any Concessionaire still desires to conduct such Exclusive Petroleum Operation, notice proposing such operation must be resubmitted to the Concessionaires in accordance with Article 6, as if no proposal to conduct an Exclusive Petroleum Operation had been previously made.

8.3 Responsibility for Exclusive Petroleum Operations

- A. The Consenting Concessionaires shall bear in accordance with the Participating Interests agreed under Article 8.2(E) the entire cost and liability of conducting an Exclusive Petroleum Operation and shall indemnify the Non-Consenting Concessionaires from any and all costs and liabilities incurred incident to such Exclusive Petroleum Operation (including Consequential Loss and Environmental Loss) and shall keep the EPCC Area free and clear of all liens and encumbrances of every kind created by or arising from such Exclusive Petroleum Operation.
- B. Notwithstanding Article 8.3(A), each Concessionaire shall continue to bear its Participating Interest share of the cost and liability incident to the Joint Petroleum Operations in which it participated, including plugging and abandoning of Wells, cessation of Joint Petroleum Operations and Decommissioning of Facilities, but only to the extent those costs were not increased by the Exclusive Petroleum Operation.

8.4 Consequences of Exclusive Petroleum Operations

- A. With regard to any Exclusive Petroleum Operation, for so long as a Non-Consenting Concessionaire has the option under Article 8.4(C) to reinstate the rights it relinquished under Article 8.4(B), such Non-Consenting Concessionaire shall be entitled to have access concurrently with the Consenting Concessionaires to all data and other information relating to such Exclusive Petroleum Operation, other than data obtained in an Exclusive Petroleum Operation for the purpose of acquiring G & G Data. If a Non-Consenting Concessionaire desires to receive and acquire the right to use such G & G Data, then such Non-Consenting Concessionaire shall have the right to do so by paying to the Consenting Concessionaires its Participating Interest share as stipulated in the EPCC, accrued of the premium set forth in Article 8.5 below (except for ENH or its Permitted Assignees, to the extent of the portion of its Participating Interest covered by the Carry, which is exempted from payment of the premium) of the cost incurred in obtaining such G & G Data.
- B. Subject to Articles 8.4(C) and Articles 8.6(E) and 8.8, each Non-Consenting Concessionaire shall be deemed to have relinquished to the Consenting Concessionaires, and the Consenting Concessionaires shall be deemed to own, in proportion to their respective Participating Interests in any Exclusive Petroleum Operation:
- 1) All of each such Non-Consenting Concessionaire's right to participate in further operations in the Well or Deepened or Sidetracked portion of a Well in which the



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Exclusive Petroleum Operation was conducted and on any Discovery made or appraised in the course of such Exclusive Petroleum Operation; and

- 2) All of each such Non-Consenting Concessionaire's right pursuant to the EPCC to take and dispose of Petroleum Produced:
 - A) From the Well or Deepened or Sidetracked portion of a Well in which such Exclusive Petroleum Operation was conducted; and
 - B) From any Wells drilled to appraise or develop a Discovery made or appraised in the course of such Exclusive Petroleum Operation.
- C. A Non-Consenting Concessionaire shall have only the following options to reinstate the rights it relinquished pursuant to Article 8.4(B):
 - 1) If the Consenting Concessionaires decide to appraise a Discovery made in the course of an Exclusive Petroleum Operation, the Consenting Concessionaires shall submit to each Non-Consenting Concessionaire the approved Appraisal Programme. For thirty (30) days (or forty-eight (48) hours for urgent operational matters) from receipt of such Appraisal Programme, each Non-Consenting Concessionaire shall have the option to reinstate the rights it relinquished pursuant to Article 8.4(B) and to participate in such Appraisal Programme. The Non-Consenting Concessionaire may exercise such option by notifying Operator within the period specified above that such Non-Consenting Concessionaire agrees to bear its Participating Interest share of the expense and liability of such Appraisal Programme, and to pay such amounts as set out in Articles 8.5(A) and 8.5(B).
 - 2) If the Consenting Concessionaires decide to develop a Discovery made or appraised in the course of an Exclusive Petroleum Operation, the Consenting Concessionaires shall submit to the Non-Consenting Concessionaires a Development Plan substantially in the form intended to be submitted to the Government under the EPCC. For sixty (60) days from receipt of such Development Plan or such lesser period of time prescribed by the EPCC, each Non-Consenting Concessionaire shall have the option to reinstate the rights it relinquished pursuant to Article 8.4(B) and to participate in such Development Plan. The Non-Consenting Concessionaire may exercise such option by notifying Operator within the period specified above that such Non-Consenting Concessionaire agrees to bear its Participating Interest share of the liability and expense of such Development Plan and such future operating and producing costs, and to pay the amounts as set out in Articles 8.5(A) and 8.5(B).
 - 3) If the Consenting Concessionaires decide to Deepen, Complete, Sidetrack, Plug Back or Recomplete a Well drilled as part of an Exclusive Petroleum Operation and such further operation was not included in the original proposal for such Well, the Consenting Concessionaires shall submit to the Non-Consenting Concessionaires the approved AFE for such further activities. For thirty (30) days (or forty-eight (48) hours for urgent operational matters) from receipt of such AFE, each Non-Consenting Concessionaire shall have the option to reinstate the rights it relinquished pursuant to Article 8.4(B) and to participate in such operation. The Non-Consenting Concessionaire may exercise



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such option by notifying Operator within the period specified above that such Non-Consenting Concessionaire agrees to bear its Participating Interest share of the liability and expense of such further operation, and to pay the amounts as set out in Articles 8.5(A) and 8.5(B). A Non-Consenting Concessionaire shall not be entitled to reinstate its rights at any other time or in any other type of operation except as provided for in this Agreement.

D. If a Non-Consenting Concessionaire does not properly and in a timely manner exercise its option under Article 8.4(C), including paying all amounts due in accordance with Articles 8.5(A) and 8.5(B), such Non-Consenting Concessionaire shall have forfeited the options as set out in Article 8.4(C) and the right to participate in the proposed program, unless such program, plan or operation is materially modified or expanded (in which case a new notice and option shall be given to such Non-Consenting Concessionaire under Article 8.4(C)).

E. A Non-Consenting Concessionaire exercising its option under Article 8.4(C) shall notify the other Concessionaires that it agrees to bear its share of the liability and expense of such operation and to reimburse the amounts set out in Articles 8.5(A) and 8.5(B) that such Non-Consenting Concessionaire had not previously paid. Such Non-Consenting Concessionaire shall in no way be deemed to be entitled to any amounts paid pursuant to Articles 8.5(A) and 8.5(B) incident to such Exclusive Petroleum Operations. The Participating Interest of such Non-Consenting Concessionaire in such Exclusive Petroleum Operation shall be its Participating Interest stipulated in Article 4.4 (A). The Consenting Concessionaires shall contribute to the Participating Interest of the Non-Consenting Concessionaire in proportion to the excess Participating Interest that each received under Article 8.2(E). If all Concessionaires participate in the proposed operation, then such operation shall be conducted as a Joint Petroleum Operation pursuant to Article 6.

F. If after the expiry of the period in which a Non-Consenting Concessionaire may exercise its option to participate in a Development Plan, the Consenting Concessionaires desire to proceed, Operator shall give notice to the Government pursuant to applicable law and the EPCC requesting a meeting to advise the Government that the Consenting Concessionaires consider the Discovery to be a Commercial Discovery. Following such meeting such Operator for such Development shall proceed to prepare and submit a Development Plan relevant for such Development and such Development and Production Area. Unless the Development Plan is materially modified or expanded prior to the commencement of Exclusive Petroleum Operations under such plan, in which case a new notice and option shall be given to the Non-Consenting Concessionaires under Article 8.4(C), each Non-Consenting Concessionaire to such Development Plan shall be deemed to have:

- 1) elected not to apply for an approval of the Development Plan covering such Development and forfeited all interest in such Development; and
- 2) forfeited all economic interest in the Development and Production Area of such Development; and
- 3) assumed a duty to exercise its legal interest in such Development and Production Area for the benefit of the Consenting Concessionaires.



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G. In either case such Non-Consenting Concessionaire shall be deemed to have withdrawn from this Agreement to the extent it relates to such Development, even if the Development Plan is modified or expanded subsequent to the commencement of Petroleum Operations under such Development Plan, and shall be further deemed to have forfeited any right to participate in the construction and ownership of Facilities outside the Development and Production Area designed solely for the use of such Development

8.5 Premium to Participate in Exclusive Petroleum Operations

A. Each such Non-Consenting Concessionaire shall within fifteen (15) days of the exercise of its option under Article 8.4(C), pay in immediately available funds to the Consenting Concessionaires in proportion to their respective Participating Interests in such Exclusive Petroleum Operations a lump sum amount payable in the currency designated by such Consenting Concessionaires. Such lump sum amount shall be equal to such Non-Consenting Concessionaire's Participating Interest share of all liabilities and expenses that were incurred in every Exclusive Petroleum Operation relating to the Discovery, or Well drilled as part of an Exclusive Petroleum Operation as the case may be, in which the Non-Consenting Concessionaire desires to reinstate the rights it relinquished pursuant to Article 8.4(B), and that were not previously paid by such Non-Consenting Concessionaire.

B. In addition to the payment required under Article 8.5(A), immediately following the exercise of its option under Article 8.4(C) each such Non-Consenting Concessionaire shall be liable to reimburse the Consenting Concessionaires who took the risk of such Exclusive Petroleum Operations in proportion to their respective Participating Interests, an amount equal to the total of:

- 1) Five hundred percent (500%) of such Non-Consenting Concessionaire's Participating Interest share of all liabilities and expenses that were incurred in any Exclusive Petroleum Operation relating to the obtaining of the portion of the G & G Data which pertains to the Discovery, and that were not previously paid by such Non-Consenting Concessionaire; plus
- 2) One thousand percent (1000%) of such Non-Consenting Concessionaire's Participating Interest share of all liabilities and expenses that were incurred in any Exclusive Petroleum Operation relating to the drilling, Deepening, Testing, Completing, Sidetracking, Plugging Back, Recompleting and Reworking of the Exploration Well which made the Discovery, in which the Non-Consenting Concessionaire desires to reinstate the rights it relinquished pursuant to Article 8.4(B), and that were not previously paid by such Non-Consenting Concessionaire; plus
- 3) One thousand percent (1000%) of such Non-Consenting Concessionaire's Participating Interest share of all liabilities and expenses that were incurred in any Exclusive Petroleum Operation relating to the drilling, Deepening, Testing, Completing, Sidetracking, Plugging Back, Recompleting and Reworking of the Appraisal Well(s) which delineated the Discovery, in which the Non-Consenting Concessionaire desires to reinstate the rights it relinquished pursuant to Article 8.4(B), and that were not previously paid by such Non-Consenting Concessionaire.



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C. Each such Non-Consenting Concessionaire who is liable for the amounts set out in Article 8.5(B) shall within fifteen (15) days of the exercise of its option under Article 8.4(C), pay in immediately available funds the full amount due from it under Article 8.5(B) to such Consenting Concessionaires, in the currency designated by such Consenting Concessionaires.

D. The Non-Consenting Concessionaire exercising its option under Article 8.4(C) shall, in accordance with Article 20, be entitled to all Cost Petroleum derived from reimbursements made under Article 8.5(A). Such Non-Consenting Concessionaire shall not be entitled to Cost Petroleum associated with payments made under Article 8.5(B), unless applicable law or the EPCC require otherwise. Each Consenting Concessionaire shall have the right to refuse to accept all or any portion of its share of amounts paid under Articles 8.5(A) and 8.5(B). In such case the refused amount shall be distributed to each non-refusing Consenting Concessionaire on a pro-rata basis.

8.6 Order of Preference of Operations

A. Except as otherwise provided in this Agreement, if any Concessionaire desires to propose the conduct of a Petroleum Operation that will conflict with an existing proposal for an Exclusive Petroleum Operation, such Concessionaire shall have the right exercisable for five (5) days (or twenty-four (24) hours for proposals involving the use of a drilling rig that is on location in the EPCC Area) from receipt of the proposal for the Exclusive Petroleum Operation, to deliver such Concessionaire's alternative proposal to all Concessionaires entitled to participate in the proposed activities. Such alternative proposal shall contain the information required under Article 8.2(A).

B. Each Concessionaire receiving such proposals shall elect by delivery of notice to Operator and to the proposing Concessionaires within the appropriate response period set out in Article 8.2(B) to participate in one of the competing proposals. Any Concessionaire not notifying Operator and the proposing Concessionaires within the response period shall be deemed to have voted against the proposals.

C. The proposal receiving the largest aggregate Participating Interest vote shall have priority over all other competing proposals. In the case of a tie vote, Operator shall choose among the proposals receiving the largest aggregate Participating Interest vote. Operator shall deliver notice of such result to all Concessionaires entitled to participate in such Petroleum Operation within five (5) days (or twenty-four (24) hours for urgent operational matters).

D. Each Concessionaire shall then have two (2) days, or twenty-four (24) hours for urgent operational matters, from receipt of such notice to elect by delivery of notice to Operator and the proposing Concessionaires whether such Concessionaire will participate in such Exclusive Petroleum Operation, or will relinquish its interest pursuant to Article 8.4(B). Failure by a Concessionaire to deliver such notice within such period shall be deemed an election not to participate in the prevailing proposal.

E. Notwithstanding the provisions of Article 8.4(B), if for reasons other than the encountering of any practically impenetrable substance or any other condition in the hole rendering further operations impracticable, a Well drilled as an Exclusive Petroleum Operation fails to reach the deepest objective Zone described in the notice proposing such Well, Operator



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shall give notice of such failure to each Non-Consenting Concessionaire who submitted or voted for an alternative proposal under this Article 8.6 to drill such Well to a shallower Zone than the deepest objective Zone proposed in the notice under which such Well was drilled. Each such Non-Consenting Concessionaire shall have the option exercisable for forty-eight (48) hours from receipt of such notice to participate for its Participating Interest share in the initial proposed Completion of such Well. Each such Non-Consenting Concessionaire may exercise such option by notifying Operator that it wishes to participate in such Completion and by paying its Participating Interest share of the cost of drilling such Well to its deepest depth drilled in the Zone in which it is completed. All liabilities and expenses for drilling and Testing the Well drilled as part of an Exclusive Petroleum Operation below that depth shall be for the sole account of the Consenting Concessionaires. If any such Non-Consenting Concessionaire does not properly elect to participate in the first completion proposed for such Well, the relinquishment provisions of Article 8.4(B) shall continue to apply to such Non-Consenting Concessionaire's interest.

8.7 Stand-By Costs

A. When a Petroleum Operation has been performed, all tests have been conducted and the results of such tests furnished to the Concessionaires, stand by costs incurred pending response to any Concessionaire's notice proposing an Exclusive Petroleum Operation for Deepening, Testing, Sidetracking, Completing, Plugging Back, Recompleting, Reworking or other further operation in such Well (including the period required under Article 8.6 to resolve competing proposals) shall be charged and borne as part of the Petroleum Operation just completed. Stand by costs incurred subsequent to all Concessionaires responding, or expiration of the response time permitted, whichever first occurs, shall be charged to and borne by the Concessionaires proposing the Exclusive Petroleum Operation in proportion to their Participating Interests, regardless of whether such Exclusive Petroleum Operation is actually conducted.

B. If further Petroleum Operations related to urgent operational matters are proposed while the drilling rig to be utilized is on location, any Concessionaire may request and receive up to five (5) additional days after expiration of the applicable response period specified in Article 8.2(B)(1) within which to respond by notifying Operator that such Concessionaire agrees to bear all stand by costs and other costs incurred during such extended response period. Operator may require such Concessionaire to pay the estimated stand by costs in advance as a condition to extending the response period. If more than one Concessionaire requests such additional time to respond to the notice, stand by costs shall be allocated between such Concessionaires on a day-to-day basis in proportion to their Participating Interests.

8.8 Special Considerations Regarding Deepening and Sidetracking

A. A Well drilled as part of an Exclusive Petroleum Operation shall not be Deepened or Sidetracked without first affording the Non-Consenting Concessionaires in accordance with this Article 8.8 the opportunity to participate in such operation.

B. In the event any Consenting Concessionaire desires to Deepen or Sidetrack a Well drilled as part of an Exclusive Petroleum Operation, such Concessionaire shall initiate the



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procedure contemplated by Article 8.2. If a Deepening or Sidetracking is approved pursuant to such provisions, and if any Non-Consenting Concessionaire to the Well drilled as part of an Exclusive Petroleum Operation elects to participate in such Deepening or Sidetracking, such Non-Consenting Concessionaire shall pay such amounts set out in Article 8.5(B), and such Non-Consenting Concessionaire's payment pursuant to Article 8.5(A) shall be such Non-Consenting Concessionaire's Participating Interest share of the liabilities and expenses incurred in connection with drilling the Well (including all liabilities and expenses for Testing and Completing or attempting Completion of the Well) from the surface to the depth previously drilled which such Non-Consenting Concessionaire would have paid had such Non-Consenting Concessionaire agreed to participate in such Well.

8.9 Use of Property

- A. The Concessionaires participating in any Deepening, Testing, Completing, Sidetracking, Plugging Back, Recompleting or Reworking of any Well drilled under this Agreement shall be permitted to use (free of cost) all casing, tubing and other equipment in the Well that is not needed for operations by the owners of the wellbore, but the ownership of all such equipment shall remain unchanged. On Decommissioning of a Well in which operations with differing participation have been conducted, the Concessionaires decommissioning the Well shall account for all equipment in the Well to the Concessionaires owning such equipment by tendering to them their respective Participating Interest shares of the value of such equipment, if any, less the cost of salvage.
- B. Any Concessionaire, whether owning interests in the Facility or not, shall be permitted to use spare slots in a Facility constructed pursuant to the EPCC for purposes of drilling Exploration Wells and/or Appraisal Wells and running tests in the EPCC Area. No Concessionaire except an owner of a Facility may drill Development Wells or run Production from a Well (except Production resulting from initial Well tests) from the Facility without the prior written consent of all Facility owners. If all owners of the Facility participate in the drilling of a Well, then no fee shall be payable under this Article 8.9(B). Otherwise, each time a Well is drilled from a Facility, the Consenting Concessionaires in the Well shall pay to the owners of the Facility, until all Wells drilled by such Concessionaires have been plugged and abandoned in accordance with applicable law, a monthly fee equal to (1) that portion of the total cost of the Facility including costs of material, fabrication, transportation and installation, divided by the number of months of useful life established for the Facility under the tax law of the host country, that one Well slot bears to the total number of slots on the Facility plus (2) that proportionate part of the monthly cost of operating, maintaining and financing the Facility that the Well drilled under this Article 8.9(B) bears to the total number of Wells served by such Facility. Consenting Concessionaires who have paid to drill a Well from a Facility under this Article 8.9(B) shall be entitled to Deepen or Sidetrack that Well for no additional charge if done prior to moving the Facility off of location.
- C. Any Concessionaire who, for purposes of Production from the EPCC Area, desires to use spare capacity in Facilities and equipment that is constructed pursuant to this Agreement and used for processing or Transportation of Petroleum after it has passed through primary separators and dehydrators (including treatment Facilities, shall



notify Operator and all owners of such Facilities and equipment of the capacity so desired for such purpose. The Concessionaires owning interests in such Facilities agree to negotiate in good faith with any Concessionaire so desiring to use such spare capacity in an attempt to enter into a definitive agreement for production handling, processing and Transportation or other similar agreement for use of such capacity for a fee and on such other terms and conditions as may be mutually satisfactory to such Concessionaires.

- D. Payment for the use of a Facility under Article 8.9(B) or the use of a Facility and appurtenant equipment under Article 8.9(C) shall not result in an acquisition of any additional interest in the Facility or equipment by the paying Concessionaires. However, such payments shall be included in the costs which the paying Concessionaires are entitled to recoup under Article 8.5.
- E. Concessionaires electing to use slots in a Facility pursuant to Article 8.9(B) shall indemnify the owners of the equipment or Facility against any and all costs and liabilities incurred as a result of such use, (including any Consequential Loss and Environmental Loss) incurred by the user Concessionaire, but excluding costs and liabilities for which Operator is solely responsible under Article 5.7(C).
- F. Any Concessionaire engaged in Exclusive Petroleum Operations shall be entitled to use Joint Property, provided such use is not detrimental to Joint Petroleum Operations and subject to the further condition that any such use of Joint Property shall be provided on a reasonable, market-related commercial basis.

8.10 Lost Production during Tie-In of Exclusive Petroleum Operation Facilities

If, during the tie-in of Exclusive Petroleum Operation Facilities with the existing Production Facilities of another Petroleum Operation, the Production of Petroleum from such other pre-existing operations is temporarily lessened as a result, then the Consenting Concessionaires shall compensate the Concessionaires and Concessionaires to such existing operation for such loss of Production in the following manner. Operator shall determine the amount by which each day's Production during the tie-in of Exclusive Petroleum Operation Facilities falls below the previous month's average daily Production from the existing Production Facilities of such operation. The so-determined amount of lost Production shall be recovered by all Concessionaires who experienced such loss in proportion to their respective Participating Interest. Upon completion of the tie-in, such lost Production shall be recovered in full by Operator deducting up to one hundred percent (100%) of the Production from the Exclusive Petroleum Operation, prior to the Consenting Concessionaires being entitled to receive any such Production

8.11 Production Bonuses

The bonus payable by the Concessionaires under the EPCC shall be charged to the Joint Account if there is no Petroleum Production from an Exclusive Petroleum Operation at the time they are incurred. If there is Petroleum Production from one or more Exclusive Petroleum Operations, then any Production Bonus which becomes payable under the EPCC shall be borne by the Concessionaires participating in each such Exclusive Petroleum Operation in



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accordance with their Participating Interest and in the proportion that its average daily Production of Petroleum bears to the total average daily Production of Petroleum from the EPCC Area during the sixty (60) day period preceding the date on which liability for the Production Bonus is incurred. The Concessionaires in a Development and Production Area shall bear the Production Bonus allocated to that Development and Production Area in accordance with their Participating Interests in that Development and Production Area, as of the date on which liability for the Production Bonus was incurred. Only types, grades and qualities of Petroleum used for the determination of the Production Bonus under the EPCC shall be utilized in the calculations in this Article.

8.12 Conduct of Exclusive Petroleum Operations

- A. Each Exclusive Petroleum Operation shall be carried out by the Consenting Concessionaires acting as the Operating Committee, subject to the provisions of this Agreement applied mutatis mutandis to such Exclusive Petroleum Operation and subject to the terms and conditions of applicable law and the EPCC.
- B. The computation of liabilities and expenses incurred in Exclusive Petroleum Operations, including the liabilities and expenses incurred by the Operator for conducting such operations, shall be made in accordance with the principles set out in this Agreement, and the Accounting Procedure annexed to this Agreement.
- C. The Operator of Exclusive Petroleum Operations shall maintain separate books, financial records and accounts for the Exclusive Petroleum Operations which shall be subject to the same rights of audit and examination as the Joint Account and related records, all as provided in the Accounting Procedure annexed to this Agreement. Said rights of audit and examination shall extend to each of the Consenting Concessionaires and each of the Non-Consenting Concessionaires so long as the latter are, or may be, entitled to elect to participate in such Exclusive Petroleum Operations.
- D. Operator, if it is conducting an Exclusive Petroleum Operation for the Consenting Concessionaires, regardless of whether it is participating in that Exclusive Petroleum Operation, shall be entitled to request cash advances and shall not be required to use its own funds to pay any cost and expense and shall not be obliged to commence or continue Exclusive Petroleum Operations until cash advances requested have been made, and the Accounting Procedure annexed to this Agreement shall apply to Operator in respect of any Exclusive Petroleum Operations conducted by it.
- E. If Operator is a Non-Consenting Concessionaire to an Exclusive Petroleum Operation to develop a Discovery, then Operator may resign as Operator for the Development and Production of such Discovery. If Operator so resigns, the Consenting Concessionaires shall select a Consenting Concessionaire to serve as Operator for such Exclusive Petroleum Operation only. Any such resignation of Operator and appointment of a Consenting Concessionaire to serve as Operator for such Exclusive Petroleum Operation shall be subject to the Concessionaires having first obtained any necessary Government approvals.



Article 9.**DEFAULT****9.1 Default and Notice**

- A. Any Concessionaire that fails to:
- 1) pay when due its share of Joint Account expenses, including cash advances and interest; or
 - 2) obtain and maintain any Security required of such Concessionaire pursuant to applicable Petroleum law, the EPCC or this Agreement; or
 - 3) perform its respective indemnity obligations under this Agreement.

Shall be in default under this Agreement (hereinafter referred to as a "Defaulting Concessionaire"). Operator, or any non-defaulting Concessionaire in case Operator is the Defaulting Concessionaire, shall promptly give notice of such default (hereinafter referred to as the "Default Notice") to the Defaulting Concessionaire and each of the non-defaulting Concessionaires and to INP.

- B. For the purposes of this Article, "Default Period" means the period beginning five (5) Business Days from the date that the Default Notice is issued in accordance with this Article 9.1 and ending on the date when all the Defaulting Concessionaire's defaults pursuant to this Article 9.1 have been remedied in full.

9.2 Operating Committee Meetings and Data

- A. Notwithstanding any other provision of this Agreement, the Defaulting Concessionaire shall have no right, during the Default Period, to:
- 1) Call or attend Operating Committee or subcommittee meetings;
 - 2) Vote on any matter coming before the Operating Committee or any subcommittee;
 - 3) Access any data or information relating to any Petroleum Operations under this Agreement;
 - 4) Consent to or reject data trades between the Concessionaires and third parties, nor access any data received in such data trades;
 - 5) Transfer (as defined in Article 13.1) all or part of its Participating Interest, except to non-defaulting Concessionaires in accordance with this Article 9;
 - 6) Consent to or reject any Transfer (as defined in Article 13.1) or otherwise exercise any other rights in respect of Transfers under this Article 9 or under Article 13;
 - 7) Receive its Entitlement or proceeds thereof in accordance with Article 9.4;
 - 8) Withdraw from this Agreement under Article 14; or



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- 9) Take assignment of any portion of another Concessionaire's Participating Interest in the event such other Concessionaire is either in default or withdrawing from this Agreement and the EPCC.
- B. Notwithstanding any other provisions in this Agreement, during the Default Period:
 - 1) Unless agreed otherwise by the non-defaulting Concessionaires, the voting interest of each non-defaulting Concessionaire shall be equal to the ratio such non-defaulting Concessionaire's Participating Interest bears to the total Participating Interests of the non-defaulting Concessionaires;
 - 2) Any matters requiring a unanimous vote or approval of the Concessionaires shall not require the vote or approval of the Defaulting Concessionaire;
 - 3) The Defaulting Concessionaire shall be deemed to have elected not to participate in any activities that are voted upon during the Default Period, to the extent such an election would be permitted by Article 6.13 and Article 8; and
 - 4) The Defaulting Concessionaire shall be deemed to have approved, and shall join with the non-defaulting Concessionaires in taking, any other actions voted on during the Default Period.

9.3 Allocation of Defaulted Accounts

A. The Concessionaire providing the Default Notice pursuant to Article 9.1 shall include in the Default Notice to each non-defaulting Concessionaire and the INP a statement of: (i) the type of Default, (ii) the time in Default, (iii) the sum of money that the non-defaulting Concessionaire shall pay as its portion of the amount in Default; and (iv) if the Defaulting Concessionaire has failed to obtain or maintain any Security required of such Concessionaire in order to maintain the EPCC in full force and effect, the type and amount of the Security the non-defaulting Concessionaires shall post or the funds they shall pay in order to allow Operator on behalf of the non-defaulting Concessionaires, or (if Operator is in default) the notifying Concessionaire, to post and maintain such Security. Unless otherwise agreed, the obligations for which the Defaulting Concessionaire is in default, including the Carry obligation pursuant to Article 4.5, shall be satisfied by the non-defaulting Concessionaires in proportion to the ratio that each non-defaulting Concessionaire's Participating Interest bears to the Participating Interests of all non-defaulting Concessionaires. The INP shall be copied on any written communication between the Defaulting Concessionaire and Operator, or between the Operator and any other Concessionaire, relating to the default situation or procedure.

For the purposes of this Article:

"Amount in Default" means the Defaulting Concessionaire's share of Joint Account expenses which the Defaulting Concessionaire has failed to pay when due pursuant to the terms of this Agreement (but excluding any interest owed on such amount); and

"Total Amount in Default" means the following amounts:

- i. the Amount in Default; plus



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- ii. third-party costs of obtaining and maintaining any Security incurred by the non-defaulting Concessionaires or the funds paid by such Concessionaires in order to allow Operator to obtain or maintain Security, in accordance with Article 8.3(A)(ii); plus
 - iii. any interest at the Default Interest Rate accrued on the amount under (i) from and including the date this amount is due by the Defaulting Concessionaire until and excluding the date the amount is paid in full by the Defaulting Concessionaire and on the amount under (ii) from and including the date this amount is incurred by the non-defaulting Concessionaires until and excluding the date the amount is paid in full by the Defaulting Concessionaire.
- B. If the Defaulting Concessionaire remedies its default in full before the Default Period commences, the notifying Concessionaire shall promptly notify each non-defaulting Concessionaire and the INP by facsimile or telephone or by email, and the non-defaulting Concessionaires shall be relieved of their obligations under Article 9.3(A). Otherwise, each non-defaulting Concessionaire shall satisfy its obligations under Article 9.3(A)(ii) before the Default Period commences and its obligations under Article 9.3(A)(ii) within ten (10) days following the Default Notice. If any non-defaulting Concessionaire fails to timely satisfy such obligations, such Concessionaire shall thereupon be a Defaulting Concessionaire subject to the provisions of this Article 9. The non-defaulting Concessionaires shall be entitled to receive their respective shares of the Total Amount in Default payable by such Defaulting Concessionaire pursuant to this Article. If the Concessionaires are paying the Carry as provided in Article 4.5 then such Concessionaire shall be liable to pay the Defaulting Concessionaires Amount in Default and Total Amount in Default and be entitled to receive payment thereof.
- C. If Operator is a Defaulting Concessionaire, then all payments otherwise payable to Operator for Joint Account costs pursuant to this Agreement shall be made to the notifying Concessionaire instead until the default is cured or a successor Operator appointed. The notifying Concessionaire shall maintain such funds in a segregated account separate from its own funds and shall apply such funds to third party claims due and payable from the Joint Account of which it has notice, to the extent Operator would be authorized to make such payments under the terms of this Agreement. The notifying Concessionaire shall be entitled to bill or cash call the other Concessionaires in accordance with the Accounting Procedure enclosed as Exhibit A to this Agreement for proper third-party charges that become due and payable during such period to the extent sufficient funds are not available. When Operator has cured its default or a successor Operator is appointed, the notifying Concessionaire shall turn over all remaining funds in the account to Operator and shall provide Operator and the other Concessionaires with a detailed accounting of the funds received and expended during this period. The notifying Concessionaire shall not be liable for damages, losses, costs, expenses or liabilities arising as a result of its actions under this Article 9.3(C), except to the extent Operator would be liable under Article 5.7.

9.4 Remedies



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A. During the Default Period, the Defaulting Concessionaire shall not have a right to its Entitlement, which shall vest in and be the property of the non-defaulting Concessionaires. Operator, or the notifying Concessionaire if Operator is a Defaulting Concessionaire, shall be authorized to sell such Entitlement in an arm's-length sale on terms that are commercially reasonable under the circumstances and, after deducting all costs, charges and expenses incurred in connection with such sale, pay the net proceeds to the non-defaulting Concessionaires in proportion to the amounts they are owed by the Defaulting Concessionaire as a part of the Total Amount in Default, (in payment of first the interest and then the principal), and apply such net proceeds toward the establishment of the Reserve Fund (as defined in Article 9.4(C)), if applicable, until all such Total Amount in Default is recovered and such Reserve Fund is established. Any surplus remaining shall be paid to the Defaulting Concessionaire, and any deficiency shall remain a debt due from the Defaulting Concessionaire to the non-defaulting Concessionaires. When making sales under this Article 9.4(A), the non-defaulting Concessionaires shall have no obligation to share any existing market or obtain a price equal to the price at which their own Entitlement is sold.

B. If Operator disposes of any Joint Property or if any other credit or adjustment is made to the Joint Account during the Default Period, Operator, (or the notifying Concessionaire if Operator is a Defaulting Concessionaire), shall be entitled to apply the Defaulting Concessionaire's Participating Interest share of the proceeds of such disposal, credit or adjustment against the Total Amount in Default, against first the interest and then the principal, and toward the establishment of the Reserve Fund as defined in Article 9.4(C), if applicable. Any surplus remaining shall be paid to the Defaulting Concessionaire, and any deficiency shall remain a debt due from the Defaulting Concessionaire to the non-defaulting Concessionaires.

C. The non-defaulting Concessionaires shall be entitled to apply the net proceeds received under Articles 9.3(A), 9.4(A) and 9.4(B) toward the creation of a reserve fund (the "Reserve Fund") in an amount equal to the Defaulting Concessionaire's Participating Interest share of:

- i. the estimated cost of abandon of any Wells and other property in which the Defaulting Concessionaire participated;
- ii. the estimated cost of severance benefits for local employees upon cessation of operations; and
- iii. any other identifiable costs that the non-defaulting Concessionaires anticipate will be incurred in connection with the cessation of operations.

Upon the conclusion of the Default Period, all amounts held in the Reserve Fund shall be returned to the Concessionaire previously in Default.

D. If a Defaulting Concessionaire fails to fully remedy all its defaults by the thirtieth (30th) day following the date of the Default Notice, then, without prejudice to any other rights available to each non-defaulting Concessionaire to recover its portion of the Total Amount in Default, each of the non-defaulting Concessionaires shall have the option, exercisable at any time thereafter during the Default Period, to require that the Defaulting



Concessionaire completely withdraw from this Agreement and the EPCC. Such option shall be exercised by notice to the Defaulting Concessionaire and each non-defaulting Concessionaire. If such option is exercised, the Defaulting Concessionaire shall be deemed to have transferred, pursuant to Article 14.6, effective on the date of the non-defaulting Concessionaires' notice, its Participating Interest to the non-defaulting Concessionaires; Notwithstanding the terms of Article 14, in the absence of an agreement among the non-defaulting Concessionaires to the contrary, any transfer to the non-defaulting Concessionaires following a withdrawal pursuant to this Article 9.4(D) shall be in proportion to the Participating Interests of the non-defaulting Concessionaires exercising the said option.

E. In addition to the other remedies available to the non-defaulting Concessionaires under this Article 9 and any other rights available to each non-defaulting Concessionaire to recover its portion of the Total Amount in Default, in the event a Defaulting Concessionaire fails to remedy its default within thirty (30) days of the Default Notice, the non-Defaulting Concessionaires may elect to enforce a mortgage and security interest on the Defaulting Concessionaire's Participating Interest as set forth below, subject to applicable Mozambican law and the EPCC.

- 1) Each Concessionaire grants to each of the other Concessionaires, in pro rata shares based on their relative Participating Interests, a mortgage and security interest on its Participating Interest, whether now owned or hereafter acquired, together with all products and proceeds derived from that Participating Interest (collectively referred to as the "Collateral") as security for (i) the payment of all amounts owing by such Concessionaire, including interest and costs of collection, under this Agreement; and (ii) any Security which such Concessionaire is required to provide pursuant to applicable law and the EPCC.
- 2) Should a Defaulting Concessionaire fail to remedy its default by the thirtieth (30th) day following the date of the Default Notice, then, each non-defaulting Concessionaire shall have the option, exercisable at any time thereafter during the Default Period, to foreclose its mortgage and security interest against its pro rata share of the Collateral by any means permitted under applicable Mozambican law and the EPCC, and to sell all or any part of that Collateral in public or private sale after providing the Defaulting Concessionaire and other creditors with any notice required by applicable Mozambican law and the EPCC, and subject to the provisions of Article 13. Except as may be prohibited by applicable Mozambican laws or the EPCC, the non-defaulting Concessionaire that forecloses its mortgage and security interest shall be entitled to become the purchaser of the Collateral sold and shall have the right to credit toward the purchase price the amount to which it is entitled under Article 9.4. Any deficiency in the amounts received by the foreclosing party shall remain a debt due by the Defaulting Concessionaire. The foreclosure of mortgages and security interests by one non-defaulting Concessionaire shall neither affect the amounts owed by the Defaulting Concessionaire to the other non-defaulting Concessionaires nor in any way limit the rights or remedies available to them. Each Concessionaire agrees that, should it become a Defaulting Concessionaire, it waives the benefit of any appraisal, valuation,



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stay, extension or redemption law and any other debtor protection law that otherwise could be invoked to prevent or hinder the enforcement of the mortgage and security interest granted above.

- 3) Each Concessionaire agrees to execute such memoranda, financing statements and other documents, and make such filings and registrations, as may be necessary to perfect, validate and provide notice of the mortgages and security interests granted by this Article 9.4(E).

F. For purposes of Articles 9.4(D) and 9.4(E), the Defaulting Concessionaire shall, without delay following any request from the non-defaulting Concessionaires, do any act required to be done by applicable Mozambican law in order to render the transfer of its Participating Interest legally valid, including obtaining all governmental consents and approvals, and shall execute any document and take such other actions as may be necessary in order to effect a prompt and valid transfer. The Defaulting Concessionaire shall be obligated to promptly remove any liens and encumbrances which may exist on its assigned Participating Interests. In the event all Government approvals are not timely obtained, the Defaulting Concessionaire shall hold the assigned Participating Interest in trust for the non-defaulting Concessionaires who are entitled to receive it. Each Concessionaire constitutes and appoints each other Concessionaire its true and lawful attorney to execute such instruments and make such filings and applications as may be necessary to make such transfer legally effective and to obtain any necessary consents of the Government. Actions under this power of attorney may be taken by any Concessionaire individually without the joinder of the others. This power of attorney is irrevocable for the term of this Agreement and is coupled with an interest. If requested, each Concessionaire shall execute a form prescribed by the Operating Committee setting forth this power of attorney in more detail.

G. The non-defaulting Concessionaires shall be entitled to recover from the Defaulting Concessionaire all reasonable attorneys' fees and all other reasonable costs sustained in the collection of amounts owing by the Defaulting Concessionaire.

H. The rights and remedies granted to the non-defaulting Concessionaires in this Article shall be cumulative, not exclusive, and shall be in addition to any other rights and remedies that may be available to the non-defaulting Concessionaires, whether at law, in equity or otherwise. Each right and remedy available to the non-defaulting Concessionaires may be exercised from time to time and so often and in such order as may be considered expedient by the non-defaulting Concessionaires in their sole discretion.

9.5 Survival

The obligations of the Defaulting Concessionaire and the rights of the non-defaulting Concessionaires shall survive the surrender of the EPCC, Decommissioning of Joint Petroleum Operations and termination of this Agreement.

9.6 No Right of Set Off

Each Concessionaire acknowledges and accepts that a fundamental principle of this Agreement is that each Concessionaire pays its Participating Interest share of all amounts due under this Agreement as and when required. Accordingly, any Concessionaire which becomes a



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Defaulting Concessionaire undertakes that, in respect of either any exercise by the non-defaulting Concessionaires of any rights under or the application of any of the provisions of this Article 9, such Concessionaire hereby waives any right to raise by way of set off or invoke as a defence, whether in law or equity, any failure by any other Concessionaire to pay amounts due and owing under this Agreement or any alleged claim that such Concessionaire may have against Operator or any Concessionaire, whether such claim arises under this Agreement or otherwise. Each Concessionaire further agrees that the nature and the amount of the remedies granted to the non-defaulting Concessionaires hereunder are reasonable and appropriate in the circumstances.

Article 10. DISPOSAL OF PRODUCTION

10.1 Right and Obligation to Take in Kind

Each Concessionaire shall have the right and obligation to own, take in kind and separately dispose of its Entitlement in accordance with the EPCC and this Agreement.

10.2 Disposition of Crude Oil

If Crude Oil is to be produced pursuant to an approved Development Plan from a Development and Production Area, the Concessionaires shall in good faith, and not less than six (6) months prior to the anticipated first delivery of Crude Oil, as promptly notified by Operator, negotiate and conclude the terms of a lifting agreement to cover the offtake of Crude Oil produced under the EPCC from such area. The Government may, if necessary and practicable, also be party to the lifting agreement; If the Government is party to the lifting agreement, the principles set forth in this Article 10.2 shall be reflected in such agreement. The lifting agreement shall, to the extent consistent with the Development Plan and subject to the terms of the EPCC, make provision for:

- A. The Delivery Point as defined in the approved Development Plan, at which title and risk of loss of each Concessionaire's Entitlement of Crude Oil shall pass to such Concessionaire;
- B. Operator's regular periodic advice to the Concessionaires of estimates of total available Production of Crude Oil for succeeding periods, quantities of each type and/or grade of Crude Oil and each Concessionaire's Entitlement for as far ahead as is necessary for Operator and the Concessionaires to plan lifting arrangements. Such advice shall also cover, for each type and/or grade of Crude Oil, the total available Production of Crude Oil and deliveries for the preceding period, and overlifts and underlifts;
- C. Nomination by the Concessionaires to Operator of acceptance of their shares of total available Production of Crude Oil for the succeeding period. Such nominations shall in any one period be for each Concessionaire's entire Entitlement of available Production of Crude Oil during that period, subject to operational tolerances and agreed minimum economic cargo sizes or as the Concessionaires may otherwise agree;
- D. Timely mitigation of the effects of overlifts and underlifts and any related reallocation of Cost Petroleum and Profit Petroleum;



- E. If offshore loading or a shore terminal for vessel loading is involved, risks regarding acceptability of tankers, demurrage and (if applicable) availability of berths;
- F. Distribution to the Concessionaires of available grades, gravities and qualities of Crude Oil to ensure, to the extent Concessionaires take delivery of their Entitlements as they accrue, that each Concessionaire shall receive in each period Entitlements of grades, gravities and qualities of Crude Oil from each Development and Production Area in which it participates similar to the grades, gravities and qualities of Crude Oil received by each other Concessionaire from that Development and Production Area in that period;
- G. To the extent that distribution of Entitlements on such basis is impracticable due to availability of Facilities and minimum cargo sizes, a method of making periodic adjustments; and
- H. The right of the other Concessionaires to sell an Entitlement which a Concessionaire fails to nominate for acceptance pursuant to Article 10.2(C) above or of which a Concessionaire fails to take delivery in accordance with applicable agreed procedures, provided that such failure either constitutes a breach of Operator's or such Concessionaire's obligations under the terms of the EPCC, or is likely to result in the curtailment or shut-in of Production. Such sales shall be made only to the limited extent necessary to avoid disruption in Petroleum Operations. Operator shall give all Concessionaires as much notice as is practicable of such situation and that a right of sale option has arisen. Any sale shall be of the un-nominated or undelivered Entitlement, (as the case may be) and for reasonable periods of time (and is in no event to exceed twelve (12) months). Payment terms for Production of Crude Oil sold under this option shall be established in the lifting agreement.
- I. If a lifting agreement has not been entered into by the date of first delivery of Crude Oil, the Concessionaires shall nonetheless be obligated to take and separately dispose of such Crude Oil as provided in Article 10.1 and in addition shall be bound by the principles set forth in this Article 10.2 until a lifting agreement is executed by the Concessionaires.

10.3 Disposal of Natural Gas

In the event of the Development of Natural Gas from a Discovery the Concessionaires may, subject to the approval of MIREME, enter into such contractual arrangements as required for the sale or disposition of Natural Gas, which are consistent with applicable Petroleum law, the EPCC and an approved Development Plan, and in which the principles of Article 10.2 of this Agreement are applied mutatis mutandis.

Article 11. DECOMMISSIONING

11.1 Plugging and abandoning of Wells Drilled as Joint Petroleum Operations

- A. A decision to plug and abandon any Well which has been drilled as a Joint Petroleum Operation shall require the approval of the Operating Committee.
- B. Should any Concessionaire fail to reply within the period prescribed in Article 6.12(A)(1) or Article 6.12(A)(2), whichever is applicable, after delivery of notice of Operator's



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proposal for cessation of Petroleum Operations, plugging and abandoning of such Well, such Concessionaire shall be deemed to have consented to the proposed activity.

C. If the Operating Committee approves plugging and abandoning of any Exploration Well or Appraisal Well, subject to applicable law, any Concessionaire voting against such decision may propose within the time periods allowed by Article 6.13(A) to conduct an alternate Exclusive Petroleum Operation in the wellbore. If no Exclusive Petroleum Operation is timely proposed, or if an Exclusive Petroleum Operation is timely proposed but is not commenced within the applicable time periods under Article 8.2, such Well shall be plugged and abandoned.

D. Any Well drilled pursuant to the EPCC and this Agreement shall be plugged and abandoned in accordance with applicable law and the EPCC and at the cost, risk and expense of the Concessionaires who participated in the cost of drilling such Well.

11.2 Plugging and abandoning of Wells drilled as part of Exclusive Petroleum Operations

This Article 11 shall apply mutatis mutandis to the plugging and abandoning of a Well drilled as part of an Exclusive Petroleum Operation or any Well in which an Exclusive Petroleum Operation has been conducted (in which event all Concessionaires having the right to conduct further operations in such Well shall be notified and have the opportunity to conduct Exclusive Petroleum Operations in the Well in accordance with the provisions of this Article 11).

11.3 Cessation of Petroleum Operations and Decommissioning of Facilities

A. The Operator shall, with due consideration of the time limits and procedural provisions stipulated in applicable Petroleum law, submit to the Operating Committee for approval a proposed Decommissioning Plan. The Operator shall after the approval by the Operating Committee of any Decommissioning Plan or amended Decommissioning Plan, submit such Decommissioning Plan with related Documentation to MIREME and other relevant Government entities pursuant to applicable law. The Operator shall in the preparation of the Decommissioning Plan consult with INP and other relevant Government entities and take such other steps as may be required pursuant to applicable law to secure Government approval of the Decommissioning Plan. In the event that any relevant Government entity requires changes in the Decommissioning Plan, the matter shall be resubmitted to the Operating Committee for further consideration.

B. This Article 11.3 shall apply mutatis mutandis to the cessation of Petroleum Operations and Decommissioning of Facilities conducted as part of Exclusive Petroleum Operation.

11.4 Decommissioning Fund

A. The Operator shall establish the Decommissioning Fund pursuant to applicable Petroleum law and the EPCC.

B. The Operator shall, with due consideration of the time limits stipulated by applicable Petroleum law for the establishment of a Decommissioning Fund, prepare and submit



to the Operating Committee for approval, the outline of alternatives and the preferred decommissioning solution and appurtenant Documentation required pursuant to applicable Petroleum law related to the selection of a preliminary Decommissioning solution on which the calculation of estimated cost of Decommissioning to be covered by the Decommissioning Fund shall be based.

- C. The Operator shall upon the approval by the Operating Committee submit the prepared Documentation of alternatives proposed and preferred Decommissioning solutions and appurtenant Documentation to MIREME pursuant to applicable Petroleum law.
- D. The Operator shall, based on the selection by MIREME of the preliminary Decommissioning solution or an approved Decommissioning Plan, prepare and submit to the Operating Committee for approval a schedule for amounts payable to the Decommissioning Fund by each Concessionaire pursuant to applicable Petroleum law and the EPCC. Such schedule shall be updated annually, and approved by the Operating Committee as part of the annual budget.
- E. Each Concessionaire shall be obliged to pay into the Decommissioning Fund its share of the estimated future cost of Decommissioning based on its Participating Interest in the EPCC pursuant to the approved schedule for such payments and the Accounting Procedure enclosed as Exhibit A to this Agreement.

11.5 Implementation of a Decommissioning Plan

- A. Upon the approval by the MIREME of the Decommissioning Plan, the Operator shall present to the Operating Committee a proposal for the implementation of the approved plan.
- B. The Operating Committee may within the limits of applicable Petroleum law, adopt or reject the Operator's proposal for implementation of the approved Decommissioning Plan..
- C. The Operating Committee shall make a final decision on the Operator's proposal for the implementation of the approved Decommissioning Plan within three months of receiving the proposal. If no such decision is made, the Operator's proposal shall be deemed to be adopted.
- D. The provisions of Article 6 shall apply as appropriate for the budget concerning the cost of implementation of an approved Decommissioning Plan.

Article 12.

SURRENDER, EXTENSIONS AND RENEWALS

12.1 Surrender

- A. Operator shall advise the Operating Committee of requirements pursuant to applicable law or the EPCC for surrender of any portion of the EPCC Area at least one hundred and twenty (120) days in advance of the earlier of the date for filing irrevocable notice of such



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surrender or the date of such surrender. Prior to the end of such period, the Operating Committee shall determine pursuant to Article 6 the size and shape of the surrendered acreage, consistent with the requirements of applicable law and the EPCC. If a sufficient vote of the Operating Committee cannot be attained, then the proposal supported by a simple majority of the Participating Interests shall be adopted. If no proposal attains the support of a simple majority of the Participating Interests, then the proposal receiving the largest aggregate Participating Interest vote shall be adopted. In the event of a tie, Operator shall choose among the proposals receiving the largest aggregate Participating Interest vote. The Concessionaires shall execute any and all documents and take such other actions as may be necessary to effect the surrender. Each Concessionaire renounces all claims and causes of action against Operator and any other Concessionaires on account of any area surrendered in accordance with the foregoing but against its recommendation if Petroleum is subsequently discovered in the surrendered area.

B. A surrender of all or any part of the EPCC Area which is not required by applicable law shall require the unanimous consent of the Concessionaires.

12.2 Extension of the Term

A. A proposal by any Concessionaire to enter into or apply for extending the term of any sub-period of the Exploration Period or Development and Production Period or any phase of the EPCC, or a proposal to apply for extending the term of the EPCC, shall be brought before the Operating Committee pursuant to Article 6.

B. Any Concessionaire shall have the right to enter into or apply for an extension of the term of any Exploration sub-period or Development and Production Period or any phase of the EPCC or to apply for an extension of the term of the EPCC, regardless of the level of support in the Operating Committee. If any Concessionaire takes such action, any Concessionaire not wishing to enter into or apply for extending such period, sub-period or term shall be required to withdraw from this Agreement and the EPCC, subject to the requirements of Article 14.

Article 13.

TRANSFER OF INTEREST OR RIGHTS AND CHANGES IN CONTROL

13.1 Obligations

A. Subject always to the requirements of applicable Petroleum law and the EPCC, the transfer of all or part of a Concessionaire's Participating Interest shall be effective only if it satisfies the terms and conditions of this Article 13.

B. Except in the case of a Concessionaire transferring all of its Participating Interest, no transfer shall be made by any Concessionaire which results in the transferor or the transferee holding a Participating Interest of less than the minimum Participating Interest for Concessionaires pursuant to the EPCC of ten percent (10%). No transfer shall be made by the Operator resulting in the Operator holding less than twenty-five percent (25%) pursuant to EPCC Art 21 and Article 5.11 (A) of this Agreement.



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C. The transferring Concessionaire shall, notwithstanding the transfer, be liable to the other Concessionaires for any obligations, financial or otherwise, which have vested, matured or accrued under the provision of the EPCC or this Agreement prior to such transfer.

Such obligations shall include, without limitation, any proposed expenditure approved by the Operating Committee, prior to the transferring Concessionaire notifying the other Concessionaires of its proposed transfer.

D. The transferee shall have no rights in and under the EPCC, or this Agreement unless and until any necessary approvals are obtained from the Government and the transferee expressly undertakes in writing to perform the obligations of the transferor under the EPCC and this Agreement in respect of the Participating Interest being transferred to the satisfaction of the Concessionaires and furnishes (or procures the furnishment of) any guarantees and enters (or procures the entering) into any cross indemnity agreement as required by applicable Petroleum law, a Government decision, the EPCC or under this Agreement.

E. The transferee shall have no rights in and under the EPCC, or this Agreement, unless each Concessionaire has consented in writing to such transfer, which consent shall not be unreasonably withheld.

F. Nothing contained in this Article shall prevent a Concessionaire from mortgaging, pledging, charging or otherwise encumbering all or part of its interest in the EPCC or an EPCC Area in and under this Agreement for the purpose of Security relating to finance provided that:

- 1) Such Concessionaire shall remain liable for all obligations relating to such interest;
- 2) The encumbrance shall be subject to any necessary approval of the Government and be expressly subordinated to the rights of the other Concessionaires under this Agreement; and
- 3) Such Concessionaire shall ensure that any such mortgage, pledge, charge or encumbrance shall be expressed to be without prejudice to the provisions of this Agreement.

G. Any direct or indirect transfer of all or a portion of Participating Interest other than with or to an Affiliated Company, shall be subject to the following procedure:

- 1) Once the transferor Concessionaire and a proposed transferee, being a third party or a Concessionaire, have fully reached agreement on terms and conditions of a transfer, such final terms and conditions shall be disclosed in detail (including copies of all instruments or relevant portions of instruments establishing such terms and conditions) to all Concessionaires in a written notification from the transferor. Each Concessionaire shall have the right to acquire the Participating Interest from the transferor on the same terms and conditions agreed to by the proposed transferee if, within forty-five (45) days of transferor's written notification, such Concessionaire delivers to all other Concessionaires a counter-notification that it accepts the agreed upon terms and conditions of the transfer without reservations or conditions. If no Concessionaire delivers such counter-notification, the transfer to the proposed transferee may be made, subject to the other provisions of this Article, under terms



and conditions no more favourable to the transferee than those set forth in the notice to the Concessionaires, provided that the transfer shall be concluded within one hundred eighty (180) days from the date of the notice plus such additional period as may be required to secure approval from the Government. No Concessionaire shall have a right under this Article 13.1(G) to acquire any asset other than a Participating Interest, nor may any Concessionaire be required to acquire any asset other than a Participating Interest, regardless of whether other properties are involved in the transfer.

- 2) If more than one Concessionaire counter-notifies that it intends to acquire the Participating Interest which is the subject of the proposed transfer, then each such Concessionaire shall acquire a proportion of the Participating Interest to be transferred equal to the ratio of its own Participating Interest to the total Participating Interests of all the counter-notifying Concessionaires, unless they otherwise agree.
 - 3) In the event that a Concessionaire's proposed transfer of part or all of its Participating Interest involves consideration other than cash or involves other properties included in a wider transaction (package deal), then the consideration payable for the Participating Interest exclusively shall be allocated a reasonable and justifiable cash value by the transferor in any notification to the other Concessionaires. Such other Concessionaires may satisfy the requirements of this Article by agreeing to pay such cash value in lieu of the consideration payable in the third-party offer.
- H. The following transactions shall be excluded from the provisions of this Article 13 in respect of an assignment:
- 1) as a result of an assignment notice served on a Defaulting Participant under this Agreement; or
 - 2) to an Affiliated Company; or
 - 3) on account of a change in control of such assignor's ultimate parent company from a merger or consolidation or other corporate transaction involving such parent company.

13.2 Rights

Each Concessionaire shall have the right, subject to applicable law, the EPCC and the provisions of this Article, to transfer its Participating Interests to an Affiliated Company. The Concessionaires agree that the provisions of this Article 13 and the provisions of the EPCC regarding transfers and assignment shall apply (i) in case of a transfer of issued shares, share quotas or voting rights of any Concessionaire that may result in such Concessionaire ceasing to be an Affiliated Company of its ultimate parent company; or (ii) if a transfer of issued shares, share quotas or voting rights or of a Participating Interest is made by any Concessionaire to an Affiliated Company and the transferee subsequently ceases to be an Affiliated Company of its ultimate parent company.



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Article 14.**WITHDRAWAL FROM THE JOINT OPERATING AGREEMENT****14.1 Right of Withdrawal**

A. Subject to the provisions of this Article and the EPCC, any Concessionaire not in default may at its option withdraw from this Agreement and the EPCC by giving notice to all other Concessionaires stating its decision to withdraw. Such notice shall be unconditional and irrevocable when given, except as may be provided in Article 14.7. A Concessionaire may not withdraw from this Agreement and the EPCC before the Exploration work commitment has been carried out to the satisfaction of, the INP. If a Development Plan has been submitted to the Government for approval, a Concessionaire may not withdraw from this Agreement and the EPCC before such approved Development Plan has been implemented.

B. The effective date of withdrawal for a withdrawing Concessionaire shall be the end of the calendar month following the calendar month in which the notice of withdrawal is given, provided that if all Concessionaires elect to withdraw, the effective date of withdrawal for each Concessionaire shall be the date determined by Article 14.9.

14.2 Partial or Complete Withdrawal

A. Within thirty (30) days of receipt of each withdrawing Concessionaire's notification, each of the other Concessionaires may also give notice that it desires to withdraw from this Agreement and the EPCC. Should all Concessionaires give notice of withdrawal, the Concessionaires shall proceed to cease Petroleum Operations and Decommission Facilities in accordance with the approved Decommissioning Plan if applicable, abandon the EPCC Area and terminate the EPCC and this Agreement. If less than all of the Concessionaires give such notice of withdrawal, then the withdrawing Concessionaires shall take all steps to withdraw from the EPCC and this Agreement on the earliest possible date and execute and deliver all necessary instruments and documents to assign their Participating Interest to the Concessionaires which are not withdrawing, without any compensation whatsoever, in accordance with the provisions of Article 14.6.

14.3 Rights of a Withdrawing Concessionaire

A withdrawing Concessionaire shall have the right to receive its Entitlement produced through the effective date of its withdrawal. The withdrawing Concessionaire shall be entitled to receive all information to which such Concessionaire is otherwise entitled under this Agreement until the effective date of its withdrawal. After giving its notification of withdrawal, a Concessionaire shall not be entitled to vote on any matters coming before the Operating Committee, other than matters for which such Concessionaire has financial responsibility.

14.4 Obligations and Liabilities of a Withdrawing Concessionaire

A. A withdrawing Concessionaire shall, following its notification of withdrawal, remain liable only for its share of the following:

- 1) Costs of Joint Petroleum Operations, and Exclusive Petroleum Operations in which it has agreed to participate, that were approved by the Operating Committee or



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A handwritten signature in black ink, appearing to be 'H. J. J.' or similar, located to the right of the text in section 14.4.

Consenting Concessionaires as part of a work programme and budget (including a multi-year work programme and budget under Article 7.5) or AFE prior to such Concessionaire's notification of withdrawal, regardless of when they are incurred;

- 2) Any Exploration work commitment for the current period or phase of the EPCC, and for any subsequent period or phase which has been approved pursuant to Article 12.2 prior to the notification of withdrawal;
- 3) Expenditures described in Articles 5.2(B)(13) and 14.5 related to an emergency occurring prior to the effective date of a Concessionaire's withdrawal, regardless of when such expenditures are incurred;
- 4) All other obligations and liabilities of the Concessionaires, with respect to acts or omissions under this Agreement prior to the date of such Concessionaire's withdrawal for which such Concessionaire would have been liable, had it not withdrawn from this Agreement; and
- 5) The obligations and liabilities for which a withdrawing Concessionaire remains liable shall specifically include its share of any costs of plugging and abandoning Wells or portions of Wells in which it participated (or was required to bear a share of the costs pursuant to Article 14.4(A)(1)) to the extent such costs of plugging and abandoning are payable by the Concessionaires under the EPCC. Any mortgages, liens, pledges, charges or other encumbrances which were placed on the withdrawing Concessionaire's Participating Interest prior to such Concessionaire's withdrawal shall be fully satisfied or released, at the withdrawing Concessionaire's expense, prior to its withdrawal. A Concessionaire's withdrawal shall not relieve it from liability to the non-withdrawing Concessionaires with respect to any obligations or liabilities attributable to the withdrawing Concessionaire under this Article merely because they are not identified or identifiable at the time of withdrawal.

B. Notwithstanding the foregoing, a Concessionaire shall not be liable for any operations or expenditures it voted against (other than operations and expenditures described in Article 14.4(A)(2) or Article 14.4(A)(3)) if it sends notification of its withdrawal within five (5) days (or within twenty-four (24) hours for urgent operational matters) of the Operating Committee vote approving such operation or expenditure. Likewise, a Concessionaire voting against voluntarily entering into or extending of an Exploration Period, an Exploration sub-period, a Development and Production Period or any phase of the EPCC or voluntarily extending the EPCC shall not be liable for the Exploration work commitment associated therewith provided that it sends notification of its withdrawal within thirty (30) days of such vote pursuant to Article 12.2.

14.5 Emergency

If a Well goes out of control or a fire, blow out, sabotage or other emergency occurs prior to the effective date of a Concessionaire's withdrawal, the withdrawing Concessionaire shall



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remain liable for its Participating Interest share of the costs of such emergency, regardless of when they are incurred.

14.6 Assignment

A withdrawing Concessionaire shall assign its Participating Interest free of cost to each of the non-withdrawing Concessionaires in the proportion which each of their Participating Interests (prior to the withdrawal) bears to the total Participating Interests of all the non-withdrawing Concessionaires (prior to the withdrawal), unless the non-withdrawing Concessionaires agree otherwise. The expenses associated with the withdrawal and assignments shall be borne by the withdrawing Concessionaire.

14.7 Approvals

A withdrawing Concessionaire shall promptly join in such actions as may be necessary or desirable to obtain any Government approvals required in connection with the withdrawal and assignments. The non-withdrawing Concessionaires shall use reasonable endeavours to assist the withdrawing Concessionaire in obtaining such approvals. Any penalties or expenses incurred by the Concessionaires in connection with such withdrawal shall be borne by the withdrawing Concessionaire.

14.8 Security

A Concessionaire withdrawing from this Agreement and the EPCC pursuant to this Article shall provide Security satisfactory to the other Concessionaires to satisfy any obligations or liabilities for which the withdrawing Concessionaire remains liable pursuant to Article 14.4, but which become due after its withdrawal, including Security to cover the costs of Decommissioning, if applicable.

14.9 Withdrawal by All Concessionaires

In the event all Concessionaires decide to withdraw from the EPCC and this Agreement, the Concessionaires agree that they shall be bound by the terms and conditions of this Agreement for so long as may be necessary to wind up the affairs of the Concessionaires with the Government, to satisfy any requirements of applicable law and to facilitate the sale, disposition or abandonment of property or interests held by the Joint Account, all pursuant to the provisions on effective date and term of Article 2 of this Agreement.

Article 15. RELATIONSHIP OF CONCESSIONAIRES AND TAX

15.1 Relationship of Concessionaires

This Agreement shall not be deemed or construed to authorize any Concessionaire to act as an agent, servant or employee for any other Concessionaire for any purpose whatsoever except as explicitly set forth in this Agreement. In their relations with each other under this Agreement, the Concessionaires shall not be considered fiduciaries except as expressly provided in this Agreement.



15.2 Tax

Each Concessionaire shall be responsible for reporting and discharging its own tax, including taxes measured by the profit or income, distribution, supplies of services and/or goods, or any other taxable event at the level of the Concessionaire and the satisfaction of such Concessionaire's share of all EPCC obligations under the EPCC and under this Agreement. Each Concessionaire shall protect, defend and indemnify each other Concessionaire from any and all loss, cost or liability arising from the indemnifying Concessionaire's failure to report and discharge such taxes or satisfy such obligations. The Concessionaires intend that all income and all tax benefits (including deductions, depreciation, credits and capitalization) with respect to the expenditures made by the Concessionaires hereunder will be allocated by the Mozambican Government tax authorities to the Concessionaires based on the share of each tax item actually received or borne by each Concessionaire. If such allocation is not accomplished due to the application of applicable Mozambican law or other Government action, the

Concessionaires shall attempt to adopt mutually agreeable arrangements that will allow the Concessionaires to achieve the financial results intended. Operator shall provide each Concessionaire, in a timely manner and at such Concessionaire's sole expense, with such information with respect to Petroleum Operations as such Concessionaire may reasonably request for preparation of its tax returns or responding to any audit or other tax proceedings.

15.3 Relationship between Concessionaires

Notwithstanding the provisions of the applicable Mozambican law, the rights, duties, obligations and liabilities of the Concessionaires shall be several and not joint or collective, and each Concessionaire shall be responsible only for its obligations as set out herein, it being the express purpose and intention of the Concessionaires that this Agreement shall not be construed as creating a relationship of partnership or an association for profit between or among the Concessionaires hereto

Article 16. VENTURE INFORMATION - CONFIDENTIALITY - INTELLECTUAL PROPERTY

16.1 Venture Information

A. Each Concessionaire may use all information it receives under Article 5.5(A), hereinafter referred to as the "Venture Information", without the approval of any other Concessionaire, subject to any applicable restrictions and limitations set forth in this Article 16, the Agreement and the EPCC. For purposes of this Article 16, the right to use shall entail the right to copy and prepare derivative works, subject only to any applicable data licensing agreement.

B. Each Concessionaire may, subject to any applicable restrictions and limitations set forth in the EPCC, extend the right to use Venture Information to each of its Affiliated Companies which are obligated to terms not less restrictive than this Article 16.

C. The acquisition or development of Venture Information under terms other than as specified in this Article 16, shall require the approval of the Operating Committee. The request



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for approval submitted by a Concessionaire shall be accompanied by a description of, and summary of the use and disclosure restrictions which would be applicable to, the Venture Information, and any such Concessionaire will be obligated to use all reasonable efforts to arrange for rights to use which are not less restrictive than specified in this Article 16.

D. All Venture Information received by a Concessionaire under this Agreement is received on an "as is" basis without warranties, express or implied, of any kind. Any use of such Venture Information by a Concessionaire shall be at such Concessionaire's sole risk.

16.2 Confidentiality

A. Subject to the provisions of applicable law, the EPCC and this Article, the Concessionaires agree that all information in relation with Joint Petroleum Operations or Exclusive Petroleum Operations shall be considered confidential and shall be kept confidential and not be disclosed during the term of the EPCC to any Person not a Concessionaire to this Agreement, except:

- 1) To an Affiliated Company pursuant to Article 16.1(B);
- 2) To a governmental agency or other entity when required by applicable law or the EPCC;
- 3) To the extent such information is required to be furnished in compliance with applicable law, or pursuant to any legal proceedings or because of any order of any court binding upon a Concessionaire;
- 4) To prospective or actual attorneys engaged by any Concessionaire where disclosure of such information is essential to such attorney's work for such Concessionaire;
- 5) To prospective or actual contractors and consultants engaged by any Concessionaire where disclosure of such information is essential to such contractor's or consultant's work for such Concessionaire;
- 6) To a bona fide prospective transferee of a Concessionaire's Participating Interest to the extent appropriate in order to allow the assessment of such Participating Interest (including an entity with whom a Concessionaire and/or its Affiliated Companies are conducting bona fide negotiations directed toward a merger, consolidation or the sale of a majority of its or an Affiliated Company's shares);
- 7) To a bank or other financial institution to the extent appropriate to a Concessionaire arranging for funding;
- 8) To the extent such information must be disclosed pursuant to any rules or requirements of any government or stock exchange having jurisdiction over such Concessionaire, or its Affiliated Companies; provided that if any Concessionaire desires to disclose information in an annual or periodic report to its or its Affiliated Companies' shareholders and to the public and such disclosure is not required pursuant to any rules or requirements of any government or stock exchange, then such Concessionaire shall comply with Article 21.3;



- 9) To its respective employees for the purposes of Joint Petroleum Operations or Exclusive Petroleum Operations as the case may be, subject to each Concessionaire taking customary precautions to ensure such information is kept confidential; and
- 10) Any information which, through no fault of a Concessionaire, becomes a part of the public domain.

B. Disclosure as pursuant to Articles 16.2(A)(5), (6), and (7) shall not be made unless prior to such disclosure the disclosing Concessionaire has obtained a written undertaking from recipient party to keep the information strictly confidential for at least five (5) years and to use the information for the sole purpose described in Articles 16.2(A)(5), (6), and (7), whichever is applicable, with respect to the disclosing Concessionaire.

16.3 Intellectual Property

A. Subject to Articles 16.3(C) and 16.5 and unless provided otherwise in the EPCC, all intellectual property rights developed by the Joint Account in the Venture Information shall be Joint Property. Each Concessionaire and its Affiliated Companies have the right to use all such intellectual property rights in their own operations (including joint operations or a production sharing arrangement in which the Concessionaire or its Affiliated Companies has an ownership or equity interest) without the approval of any other Concessionaire. Decisions regarding obtaining, maintaining and licensing such intellectual property rights shall be made by the Operating Committee and the costs thereof shall be for the Joint Account. Upon unanimous consent of the Operating Committee as to ownership, licensing rights, and income distribution, the ownership of intellectual property rights in the Venture Information may be assigned to the Operator or to a Concessionaire. However, where confidential information and intellectual property has been patented or is subject to a pending patent application by a Concessionaire or an Affiliated Company, and is utilized for the benefit of the Joint Account on Joint Property such intellectual property and confidential information shall remain the property of that Concessionaire. Concessionaires will enter into appropriate agreements prior to the use of such patented confidential information and intellectual property.

B. Nothing in this Agreement shall be deemed to require a Concessionaire to (i) divulge proprietary technology to any of the other Concessionaires; or (ii) grant a license or other rights under any intellectual property rights owned or controlled by such Concessionaire or its Affiliated Companies to any of the other Concessionaires.

C. If in the course of carrying out activities charged to the Joint Account, a Concessionaire or an Affiliated Company of a Concessionaire makes or conceives any inventions, discoveries, or improvements which primarily relate to or are primarily based on the proprietary technology of such Concessionaire or its Affiliated Companies, then all intellectual property rights to such inventions, discoveries, or improvements shall belong exclusively to such Concessionaire and each other Concessionaire shall have a perpetual, royalty-free, irrevocable license to use such inventions, discoveries, or improvements, but only in connection with the Joint Petroleum Operations.

D. Subject to Article 5.7(B), all costs and expenses of defending, settling or otherwise handling any claim which is based on the actual or alleged infringement of any intellectual



property right shall be for the account of the Petroleum Operation from which the claim arose, whether Joint Petroleum Operations or Exclusive Petroleum Operations.

16.4 Continuing Obligations

Any Concessionaire ceasing to own a Participating Interest during the term of this Agreement shall nonetheless remain bound by the obligations of confidentiality in Article 16.2, and any disputes in relation thereto shall be resolved pursuant to Article 19.2.

16.5 Trades

Operator may, subject to approval of INP and the Operating Committee, make data trades and trade other information resulting from Petroleum Operations for the benefit of the Concessionaires, with any data so obtained to be furnished to all Concessionaires who participated in the cost of the data that was traded. Operator shall cause any third party to such trade to enter into an undertaking to keep the traded data confidential.

Article 17. FORCE MAJEURE

If as a result of Force Majeure any Concessionaire is rendered unable, wholly or in part, to carry out its obligations under this Agreement, other than the obligation to pay any amounts due or furnish Security, then the obligations of the Concessionaire giving such notice, so far as and to the extent that the obligations are affected by such Force Majeure, shall be suspended (and the non-performance or delay in performance by the affected Concessionaire shall be excused) during the continuance of any inability so caused and for such reasonable period thereafter for the Concessionaire as may be necessary for the Concessionaire to put itself in the same position that it occupied prior to the Force Majeure. In the case of a Sanctions Event, the affected Concessionaire shall also be excused if and to the extent that it fails to make any payment when due or furnish Security as a result of the Sanctions Event.

The Concessionaire claiming Force Majeure shall notify the other Concessionaires of the Force Majeure within a reasonable time after the occurrence of the facts relied on and shall keep all Concessionaires informed of all significant developments. Such notice shall give reasonably full particulars of the Force Majeure and, to the extent the affected Concessionaire reasonably can, also provide an estimate of the period of time which the Concessionaire will probably require to remedy the Force Majeure. The affected Concessionaire shall use all commercially reasonable diligence to remove or overcome the Force Majeure situation as quickly as possible in an economic manner but shall not be obligated to settle any labour dispute except on terms acceptable to it, and all such disputes shall be handled within the sole discretion of the affected Concessionaire.

For purposes of this Agreement, "Force Majeure" and "Sanctions Event" shall have the same meaning as in the EPCC.



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Article 18. NOTICES**18.1 Mode of Delivery**

All notices, invoices and other communications pursuant to this Agreement shall be deemed to have been properly given or presented, if delivered in writing and:

1. In person or by courier;
2. By e-mail, provided that the recipient confirms in writing successful receipt of the notice sent.

at the addresses indicated below with the charges associated with the delivery of the notice, invoice or other communication being paid by the sender. Telephone numbers for the Concessionaires are listed below as a matter of convenience only. With respect to facsimile and e-mail communication, automated delivery receipts shall not be evidence of a notice being delivered for purposes of this Agreement.

A notice under this Agreement shall be deemed delivered only when received by the Concessionaire to whom such notice is directed. "Received" shall mean actual delivery of the notice by the methods and to the address of the Concessionaire specified in Article 18.2 or to the most current address specified in a notice under Article 18.3.

18.2 Addresses

All such notices shall be addressed to the respective Concessionaires, as the case may be, as follows:

ENH

Address: Rua dos Desportistas, n° 918
Edifício JAT V- III, 14th Floor
Maputo, Mozambique
Attention: Chairman of the Board of Directors
Telephone : +258 21 343700

CNOOC

Address: Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong
Attention:
Telephone:

**18.3 Change of Address**

Subject to this Article 18 each Concessionaire hereto may substitute or change the aforesaid address by giving written notice thereof to the others.



18.4 Address in Maputo

The Concessionaires shall at all times maintain an address in Maputo for the purpose of service of notice.

Article 19.**APPLICABLE LAW - DISPUTE RESOLUTION****19.1 Applicable Law**

This Agreement shall be governed by and construed in accordance with the Laws of the Republic of Mozambique.

19.2 Dispute Resolution

- A. Any dispute arising out of or relating to this Agreement (hereinafter referred to as a "Dispute") shall be settled in accordance with the dispute resolution procedures provided in this Agreement, unless otherwise agreed in writing by the Concessionaires. A Concessionaire may commence the dispute resolution process under this Agreement by giving written notice to the other Concessionaires of a Dispute in accordance with Article 18 (hereinafter referred to as a "Notice of Dispute"). The Notice of Dispute shall state the Concessionaires to the Dispute, the nature of the Dispute, and the relief requested. Within thirty (30) days of receipt of a Notice of Dispute, senior executives of the Concessionaires with authority to settle the Dispute shall meet in Geneva, Switzerland, in an effort to reach an amicable settlement of all or part of the Dispute.
- B. If for any reason the Dispute has not been resolved by an agreement in writing within thirty (30) days of receipt of a Notice of Dispute, the Dispute (save for any matter referred to a sole expert as provided in Article 19.2(H)) shall be submitted to arbitration in accordance with UNCITRAL Rules.
- C. The place of any arbitration under these provisions shall be Geneva, Switzerland, and the substantive law of the arbitration shall be Mozambique law, and the language of arbitration shall be English.
- D. Insofar as practicable, the Concessionaires shall continue to implement the terms of this Joint Operating Agreement, notwithstanding the initiation of arbitral proceedings and any pending disputes.
- E. Neither any arbitrator nor the Chairman of the arbitration tribunal, as applicable, shall be of the same nationality as any Concessionaire.
- F. The provisions set out in this Article 19.2 shall survive termination of this Agreement.
- G. Any award or a decision, including an interim award or decision, in arbitral proceedings pursuant to this Article 19.2, shall be binding on the Concessionaires and judgment thereon may be entered in any court having jurisdiction for that purpose.



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- H. Each Party that now or after has the right to claim sovereign immunity for itself or any of its assets, hereby irrevocably waives any such immunity and defences based upon sovereign immunity including any claim in respect of arbitration proceedings and expert determinations commenced pursuant to this Agreement and any proceedings in aid of arbitration or of enforcement of any such award or decision including, without limitation, immunity from service of process and from the jurisdiction of any court. Parties in this Article 19.2 shall be understood to include each Person comprising the Concessionaire under the EPCC.
- I. The Concessionaires may agree that a matter in dispute of a technical nature not involving interpretation of law or the application of this Agreement (or with respect to any other matter which the Concessionaires may otherwise agree to so refer) shall be referred to an expert appointed in accordance with this Article 19.2 (H) by a Concessionaire giving notice to such effect pursuant to Article 18. Such notice shall contain a statement describing the dispute and all relevant information associated therewith. A sole expert shall be an independent and impartial person of international standing with relevant qualifications and experience and not of the same nationality as any Concessionaire appointed pursuant to the mutual agreement of the Concessionaires and selected and appointed by the Concessionaires. Any sole expert appointed shall act as an expert and not as an arbitrator or mediator and shall be instructed to endeavour to resolve the dispute referred to him within thirty (30) days of his appointment but in any event within sixty (60) days of his appointment. Upon the selection of the sole expert, the Concessionaire receiving the notice of referral above shall submit its own statement containing all information it considers relevant with respect to the matter in dispute. The decision of the sole expert shall be final and binding and not subject to any appeal, save for fraud, corruption or evident partiality. If the Concessionaires are unable to agree on the appointment of a sole expert within twenty (20) days after a Concessionaire has received a notice of referral under this Article the sole expert shall be selected by the ICC Centre for Expertise and the person so selected shall be appointed by the Concessionaires.
- J. The sole expert shall decide the manner in which any determination is made, including whether the Concessionaires shall make oral or written submissions and arguments, and the Concessionaires shall co-operate with the sole expert and provide such documentation and information as the sole expert may request. All correspondence, documentation and information provided by a Concessionaire to the sole expert shall be copied to the other Concessionaire, and any oral submissions to the sole expert shall be made in the presence of all Concessionaires and each Concessionaire shall have a right of response. The sole expert may obtain any independent professional or technical advice as the sole expert considers necessary. The language of the expert determination shall be English, and the expert's decision shall be in the English language. The English version of this Agreement signed by the Concessionaires shall be used as the official translation in any determination by the sole expert. The fees and expenses of a sole expert appointed under the provisions of Article 19.2.H shall be borne equally by the Concessionaires.



- K. The Concessionaires hereby agree not to exercise any right to institute proceedings to set aside any interim or final arbitral award made pursuant to this Article 19.2, except nothing in this Article 19.2 shall be read or construed as imposing any limitation or constraint on either Concessionaires' right to seek to nullify any such interim or final arbitral award rendered by an arbitral tribunal pursuant to the in accordance with the procedure provided in the arbitration law at the seat of arbitration.
- L. All negotiations, arbitration, and expert determinations relating to a Dispute (including a settlement resulting from negotiation, an arbitral award, documents exchanged or produced during an arbitration proceeding, and memorials, briefs or other documents prepared for the arbitration) are confidential and may not be disclosed by the Concessionaires, their employees, officers, directors, counsel, consultants, and expert witnesses, except to the extent necessary to enforce this Article 19 or any arbitration award, to enforce other rights of a Concessionaire, or as required by law; provided, however, that breach of this confidentiality provision shall not void any settlement, expert determination or award.

Article 20. ALLOCATION OF COST & PROFIT PETROLEUM

20.1 Allocation of Total Production

- A. The total quantity of Petroleum Produced and measured pursuant to the EPCC at the Delivery Point as determined in the approved Development Plan from each Development and Production Area and to which the Concessionaires are collectively entitled pursuant to applicable law and the EPCC shall be composed of Cost Petroleum and Profit Petroleum in accordance with the provisions of applicable law and the EPCC.
- B. Operator shall develop and the Operating Committee shall approve procedures for allocating such Cost Petroleum and Profit Petroleum during each Calendar Quarter among the individual Development and Production Areas based upon the following principles.
- 1) Cost Petroleum and Profit Petroleum shall first be allocated to Development and Production Areas based on the principle that an earlier established operation shall not be enhanced or impaired in any way through the subsequent establishment of any Development and Production Area, whether the subsequently established Development and Production Areas are Exclusive Petroleum Operations or Joint Petroleum Operations.
 - 2) All allocations made pursuant to this Article shall incorporate adjustments to reflect differences in value if different qualities of Petroleum are produced.

20.2 Allocation of Petroleum to Concessionaires

- A. Cost Petroleum and Profit Petroleum allocated to Development and Production Areas pursuant to Article 20.1 shall be allocated to the Concessionaires in proportion to their payments made which are recoverable costs pursuant to the EPCC in each such Development and Production Area.



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B. Notwithstanding anything to the contrary contained in this Article 20.2.A, and to the extent allowed under the EPCC, Cost Petroleum which is not specifically attributable to a Development and Production Area, shall be allocated to the Concessionaires in proportion to their Participating Interest in the operations which underlie any such Cost Petroleum, provided, however, that the rights of a Concessionaire to Cost Petroleum or Profit Petroleum from a Development and Production Area to which it is a participant shall not be impaired by the rights of any other Concessionaire to recover Cost Petroleum which are not specifically attributable to such Development and Production Area.

20.3 Use of Estimates

Initial distribution of Petroleum pursuant to this Article shall be based upon estimates furnished by Operator pursuant to Article 10, with adjustments for actual figures to be made in kind within forty-five (45) Days after the end of the Calendar Quarter and at any later date when adjustments must be made with the Government pursuant to applicable law and the EPCC.

20.4 Principles

If no allocation procedure is approved by the Operating Committee in accordance with Article 20.1, the Concessionaires shall nonetheless be bound by the principles set forth in this Article with regard to the allocation of Cost Petroleum and Profit Petroleum.

Article 21.

GENERAL PROVISIONS

21.1 Conduct of the Concessionaires

- A. All Concessionaires declare to have adopted and implemented their own internal rules, including a code of ethics, designed to ensure compliance with all applicable laws and commit to act in accordance with these rules and procedures for the duration of the EPCC and/or this Agreement.
- B. With reference to the performance of the activities under the EPCC and/or this Agreement, each Concessionaire and its Affiliates undertake to act in compliance with and to cause their directors, employees and/or agents to act in compliance with the applicable anti-corruption laws including: (1) the applicable laws of the State of Mozambique; ; (2) the US Foreign Corrupt Practices Act; (3) the UK Bribery Act; (4) the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions; (5) the United Nations Convention against Corruption; and (6) other applicable anti-corruption and anti-money laundering laws (together "the Anti-Corruption Laws").
- C. In particular and in accordance with the abovementioned rules, each Concessionaire undertakes to abstain (and to cause their directors, employees and/or agents and Affiliates to abstain) from (a) directly or indirectly, offering, promising, giving or paying any sums, other benefits or advantages or anything of value to a Public Official or any third party in breach of the applicable Anti-Corruption Laws and (b) from, directly or indirectly, soliciting or accepting any request for, or offer of, sums, other benefits or advantages or anything of value from a Public Official or any third party in breach of the applicable Anti-Corruption Laws.



D. With reference to the performance of the activities under this EPCC and/or this Agreement, each Concessionaire represents and warrants that:

- a) Each and every amount payable under the EPCC and/or this Agreement constitutes solely the payment for its services and no part thereof will be given, directly or indirectly, to a Public Official or to any of its Family Members (meaning the Public Official's spouse; the Public Official's and the spouse's grandparents, parents, siblings, children, nieces, nephews, aunts, uncles, and first cousins; the spouse of any of these people; and any other individuals who share the same household) or to a private party for corrupt purposes or, in any case, in violation of the Anti-Corruption Laws;
- b) No Public Official nor its Family Members directly or indirectly linked to the activities that will be performed by a Concessionaire and/or its Affiliates under this Agreement are or will be appointed as managers or hired as employees, consultants or agents;
- c) Each Concessionaire shall confirm on a yearly basis or upon the request of another Concessionaire the representations and warranties provided under Article 21.1D.b above; and
- d) Potential employees or third parties charged with executing activities related to the EPCC and/or this Agreement shall be required by written contract to act in a manner consistent with this Article 21.1.

E. Moreover, by signing this Agreement, each Concessionaire commits to:

- a) adopt and implement for the duration of the EPCC and/or this Agreement an effective and adequate program to prevent corruption, money-laundering and other offences as prohibited under applicable Anti-Corruption Laws and supervise and constantly monitor its application and efficient functioning;
- b) preserve documentation concerning all services performed under the EPCC and/or this Agreement for the period required by its internal regulations;

F. Each Concessionaire agrees to promptly:

- a) respond in reasonable detail to any notice or request from any other Concessionaire reasonably connected with the above-stated representations, warranties and undertakings;
- b) furnish applicable documentary support for such response upon request from such other Concessionaire;
- c) notify the other Concessionaires of any investigation or proceeding initiated by a governmental authority relating to an alleged violation of applicable Anti-Bribery Laws by such Concessionaire or its Affiliates, or any service providers of such Concessionaire or its



Affiliates, concerning operations and activities under the EPCC and/ or this Agreement. Such Party shall use reasonable efforts to keep the other Parties informed as to the progress and disposition of such investigation or proceeding.

Under no circumstances will any Concessionaire be required to disclose or share with another Concessionaire information that is considered legally privileged.

G. The Concessionaires agree that no Concessionaire shall be compelled to take any action which it believes in good faith is reasonably likely to cause it to violate the Anti-Corruption Laws. In the event that a Concessionaire withholds performance under this Article 21.1 (whether it is due because of a breach by another Concessionaire of this Article 21.1 or otherwise), the Concessionaire shall upon request of any Concessionaire provide within fifteen Days information on which its determination is based, including any relevant underlying factual documentation (each Concessionaire shall have the right, however, to exclude materials protected from disclosure under applicable legal privileges). The Concessionaires agree to work in good faith to evaluate and implement any reasonable mitigating measures to address the anti-corruption risk to the satisfaction of all Concessionaires.

H. Each Concessionaire shall indemnify the other Concessionaires for any damages, losses, penalties, costs (including reasonable legal costs and attorneys' fees), and liabilities arising from, or related to the events underlying:

- (a) any settlement by a Concessionaire with a governmental authority pertaining to allegations that, in connection with operations and/or activities under this Agreement, such Concessionaire or its Affiliates or their directors, officers, employees and personnel have violated Anti-Corruption Laws applicable to such Party; or
- (b) the final adjudication concerning operations and/or activities under this Agreement that such Party or its Affiliates or their directors, officers, employees and personnel have violated Anti-Corruption Laws applicable to such Concessionaire.

Such indemnity obligations shall survive termination or expiration of this Agreement.

- I. (a) Neither Concessionaire shall make any unofficial payment to a Public Official to speed up an administrative process where the outcome is already pre-determined (facilitation payment) in the performance of its obligations under this Agreement.
- (b) Each Concessionaire agrees to notify the other Concessionaires immediately upon receipt of any solicitation, demand or other request for anything of value relating to the performance of this Agreement where such payment, gift, promise or advantage would violate the applicable Anti-Corruption Laws.
- (c) In the event of a breach of the Anti-Corruption Laws by a Concessionaire in connection with operations and/or activities under this Agreement, the other Concessionaires shall have the right to ask for evidence that such Concessionaire has properly investigated its Anti-Corruption controls and if found to be inadequate or ineffective, that new or amended controls were implemented which will mitigate the risk of another breach.



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21.2 Conflicts of Interest

A. Operator undertakes that it shall avoid any conflict of interest between its own interests (including the interests of Affiliated Companies) and the interests of the other Concessionaires in dealing with suppliers, customers and all other organizations or individuals doing or seeking to do business with the Concessionaires in connection with activities contemplated under the EPCC and this Agreement.

B. The provisions of the preceding paragraph shall not apply to: (1) Operator's performance which is in accordance with applicable Mozambican law, decisions or local content policies; or (2) Operator's acquisition of products or services from an Affiliated Company, or the sale thereof to an Affiliated Company, made in accordance with the terms of this Agreement.

C. Unless otherwise agreed, the Concessionaires and their Affiliated Companies may engage or invest (directly or indirectly) in activities or businesses, any one or more of which may be related to or in competition with the business activities contemplated under this Agreement, without having or incurring any obligation to offer any interest in such business activities to any Concessionaire.

21.3 Public Announcements

A. Operator shall be responsible for the preparation and release of all public announcements and statements regarding this Agreement or the Joint Petroleum Operations; provided that no public announcement or statement shall be issued or made unless, prior to its release, all the Concessionaires have been furnished with a copy of such statement or announcement and the approval of at least two (2) Concessionaires which are not Affiliated Companies of Operator holding fifty percent (50%) or more of the Participating Interests not held by Operator or its Affiliated Companies has been obtained. Where a public announcement or statement becomes necessary or desirable because of danger to or loss of life, damage to property or pollution as a result of Petroleum Operations pursuant to the EPCC and this Agreement, Operator is authorized to issue and make such announcement or statement without prior approval of the Concessionaires, but shall promptly furnish all the Concessionaires with a copy of such announcement or statement.

B. If a Concessionaire wishes to issue or make any public announcement or statement regarding this Agreement or the Joint Petroleum Operations, it shall not do so unless, prior to the release of the public announcement or statement, such Concessionaire furnishes all the Concessionaires with a copy of such announcement or statement, and obtains the approval of at least two (2) Concessionaires which are not Affiliated Companies holding fifty percent (50%) or more of the Participating Interests not held by such announcing Concessionaire or its Affiliated Companies; provided that, notwithstanding any failure to obtain such approval, no Concessionaire shall be prohibited from issuing or making any such public announcement or statement if it is necessary to do so in order to comply with the applicable laws, rules or regulations of any government, legal proceedings or stock exchange having jurisdiction over such Concessionaire or its Affiliated Companies as set forth in Article 16.2.

21.4 Successors and Assigns



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Subject to the limitations on transfer contained in Article 13, this Agreement shall inure to the benefit of and be binding upon the successors and assigns of the Concessionaires.

21.5 Waiver

No waiver by any Concessionaire of any one or more defaults by another Concessionaire in performance of any provision of this Agreement shall operate or be construed as a waiver of any future default or defaults by the same Concessionaire, whether of a like or of a different character. Except as expressly provided in this Agreement no Concessionaire shall be deemed to have waived, released or modified any of its rights under this Agreement unless such Concessionaire has expressly stated, in writing, that it does waive, release or modify such right.

21.6 Joint Preparation

Each provision of this Agreement shall be construed as though all Concessionaires participated equally in the drafting of the same. Consequently, the Concessionaires acknowledge and agree that any rule of construction that a document is to be construed against the drafting party shall not be applicable to this Agreement.

21.7 Severance of Invalid Provisions

If and for so long as any provision of this Agreement shall be deemed to be judged invalid for any reason whatsoever, such invalidity shall not affect the validity or operation of any other provision of this Agreement except only so far as shall be necessary to give effect to the construction of such invalidity, and any such invalid provision shall be deemed severed from this Agreement without affecting the validity of the balance of this Agreement.

21.8 Modifications

Except as is provided in Articles 12.2(B) and 21.7, there shall be no modification of this Agreement except by written consent of all Concessionaires, and subject to approval by the Government.

21.9 Interpretation

- A. Headings. The topical headings used in this Agreement are for convenience only and shall not be construed as having any substantive significance or as indicating that all of the provisions of this Agreement relating to any topic are to be found in any particular Article.
- B. Singular and Plural. Reference to the singular includes a reference to the plural and vice versa.
- C. Gender. Reference to any gender includes a reference to all other genders.
- D. Article. Unless otherwise provided, reference to any Article or an Exhibit means an Article or Exhibit of this Agreement.



- E. Conflicts. If the provisions in the body of this Agreement conflict with the provisions in any Exhibit, the provisions in the body of this Agreement shall prevail.
- F. Include. The terms "include" and "including" shall mean include or including without limiting the generality of the description preceding such term and are used in an illustrative sense and not a limiting sense.
- G. Derivatives. A capitalized derivative or other variation of a defined term will have a corresponding meaning and be construed accordingly.

21.10 Counterpart Execution

This Agreement may be executed in any number of counterparts and each such counterpart shall be deemed an original Agreement for all purposes; provided that no Concessionaire shall be bound to this Agreement unless and until all Concessionaires have executed a counterpart. For purposes of assembling all counterparts into one document, Operator is authorized to detach the signature page from one or more counterparts and, after signature thereof by the respective Concessionaire, attach each signed signature page to a counterpart.

21.11 Entirety

With respect to the subject matter contained herein, this Agreement (i) is the entire agreement of the Concessionaires; and (ii) supersedes all prior understandings and negotiations of the Concessionaires. Any amendments, exceptions or additions to this Agreement or its Exhibit which form an integral part of this Agreement shall be subject to Government approval.

21.12 No Third Party Beneficiary

Except as provided for under Article 5.7 B, the interpretation of this Agreement shall exclude any rights under declaratory legislative provisions conferring rights under a contract to persons not a party to that contract.

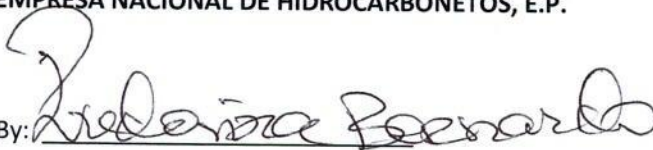
"IN WITNESS of their agreement each Concessionaire has caused its duly authorized representative to sign this instrument on the date indicated below such representative's signature.

CNOOC HONG KONG HOLDING LIMITED

By: Xu Zhigang
 Name: Xu Zhigang
 Title: Signatário Autorizado
 Date: 14/10-2025



EMPRESA NACIONAL DE HIDROCARBONETOS, E.P.

By: 

Chairman

Date: 14.10.2025

By: Mónica Chamusca Juane

Vice President Exploration and Production

Date: 14.10.2025







EXHIBIT "A"
ACCOUNTING PROCEDURE
TO THE JOINT OPERATING AGREEMENT
BETWEEN
CNOOC HONG KONG HOLDING LIMITED
AND
EMPRESA NACIONAL DE HIDROCARBONETOS, E.P.

Attached to and made part of the Joint Operating Agreement effective as of the ____ day of _____, 20____, by and between:

CNOOC HONG KONG HOLDING LIMITED, a company established under the laws of Special Administrative Region of Hong Kong of the People's Republic of China, hereinafter referred to as "CNOOC";

and

EMPRESA NACIONAL DE HIDROCARBONETOS, E.P., a company established in accordance with the laws of the Republic of Mozambique, hereinafter referred to as "ENH".

The companies named above, and their respective successors and assignees (if any), may sometimes individually be referred to as "Party" and collectively as the "Parties" within the Accounting Procedure.

SECTION 1. GENERAL PROVISIONS

1.1 Purpose

1.1.1 The purpose of this Accounting Procedure is to establish equitable methods for determining charges and credits applicable to operations under the Joint Operating Agreement which reflect the costs of Joint Operations to the end that no Party shall gain or lose in relation to other Parties.

1.1.2 The Parties agree, however, that if the methods prove unfair or inequitable to Operator or Non-Operators, the Parties shall meet and in good faith endeavour to agree on changes in methods deemed necessary to correct any unfairness or inequity.

1.2 Conflict with the Joint Operating Agreement



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In the event of a conflict between the provisions of this Accounting Procedure and the provisions of the Joint Operating Agreement to which this Accounting Procedure is attached, the provisions of the Joint Operating Agreement shall prevail.

1.3 Definitions

Definitions stipulated in applicable Petroleum law, currently Law no. 21/2014 of 18 August and Decree No. 34/2015 of 31 December, apply to this Accounting Procedure unless the context otherwise requires. The definitions stipulated by the Joint Operating Agreement, to which this Accounting Procedure is attached as Exhibit A, shall apply to this Accounting Procedure. Words and phrases used in this Accounting Procedure, shall have the following meanings:

"Accrual basis" means that basis of accounting under which costs and benefits are regarded as applicable to the period in which the liability for the cost is incurred or the right to the benefit arises, regardless of when invoiced, paid, or received.

"Material" means machinery, equipment, and supplies acquired and held for use in Joint Operations.

"Cash basis" means that basis of accounting under which only costs actually paid and revenue actually received are included for any period.

"Non-Operator" shall mean Concessionaire other than the Operator

"Section" means a section of this Accounting Procedure.

1.4 Joint Account Records and Currency Exchange.

1.4.1 Operator shall at all times maintain and keep true and correct records of the Production and disposition of all Petroleum, and of all costs and expenditures under the Joint Operating Agreement, as well as other data necessary or proper for the settlement of accounts between the Parties hereto in connection with their rights

and obligations under the Joint Operating Agreement and to enable Parties to comply with applicable income tax law and other applicable law.

1.4.2 Operator shall maintain accounting records pertaining to Joint Operations in accordance with Good Petroleum Industry Practices for accounting and applicable Mozambican law and statutory obligations as well as the provisions of the EPCC and the Joint Operating Agreement.

1.4.3 The Joint Account shall be maintained by Operator in the English language and in United States of America ("U.S.") currency and in such other language and currency as may be required by applicable Mozambican law and the EPCC. Conversions of currency shall be recorded on the basis of the average of the buying and selling exchange rates between the currencies in question as published by Bank of Mozambique or in accordance with the applicable law, prevailing on the actual day of the transaction on which amounts are received and costs and expenditures are paid, or as agreed by the



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parties. Currency translations are used to express the amount of expenditures and receipts for which a currency conversion has not actually occurred. Currency translations for expenditures and receipts shall be recorded at the average of the buying and selling exchange rates between the currencies in question as published by Bank of Mozambique or in accordance with applicable law prevailing on the actual day that the relevant transaction occurred. Amounts received and costs and expenditures incurred in currencies not published by Bank of Mozambique shall be translated on the basis of the average of the buying and selling exchange rates between the currencies in question as published by the Wall Street Journal or if not published by the Wall Street Journal, then by the Financial Times, prevailing on the actual day that the relevant transaction occurred.

- 1.4.4 Any currency exchange gains or losses shall be credited or charged to the Joint Account, except as otherwise specified in this Accounting Procedure.
- 1.4.5 This Accounting Procedure shall apply, mutatis mutandis, to Exclusive Operations in the same manner that it applies to Joint Operations; provided, however, that the charges and credits applicable to Consenting Parties shall be separately maintained. For the purpose of determining and calculating the remuneration of the Consenting Parties, including the premiums for Exclusive Operations, the costs and expenditures shall be expressed in U.S. currency (irrespective of the currency in which the expenditure was incurred).
- 1.4.6 The Accrual Basis for accounting shall be used in preparing accounts concerning the Joint Operations.
- 1.5 Statements and Billings
- 1.5.1 Unless otherwise agreed by the Parties, Operator shall submit monthly to each Party, on or before the last day of each month, statements of the costs and expenditures incurred during the prior month, indicating by appropriate classification the nature thereof, the corresponding budget category, and the portion of such costs charged to each of the Parties.

These statements, as a minimum, shall contain the following information:

- advances of funds setting forth the currencies received from each Party,
- the share of each Party in total expenditures,
- the accrued expenditures,
- the current account balance of each Party,
- summary of costs, credits, and expenditures on a current month, year-to-date, and inception-to-date basis or other periodic basis, as agreed by Parties (such expenditures shall be grouped by the categories and line items designated in the approved Work Program and Budget submitted by Operator in accordance



with Article 6.4 of the Joint Operating Agreement so as to facilitate comparison of actual expenditures against that Work Program and Budget), and

- details of unusual charges and credits in excess of U.S. \$100,000 (one hundred thousand Dollars of the United States of America).

1.5.2 Operator shall, upon request, furnish a complete description and the rationale of the accounting classifications used by it.

1.5.3 Amounts included in the statements and billings shall be expressed in U.S. currency and reconciled to the currencies advanced.

1.5.4 Each Party shall be responsible for preparing its own accounting and tax reports to meet the requirements of applicable Mozambican law and the laws of all other countries to which it may be subject. Operator, to the extent that the information is reasonably available from the Joint Account records, shall provide Non-Operators in a timely manner with the necessary information to facilitate the discharge of such responsibility.

1.6 Payments and Advances

1.6.1 Upon approval of any Work Program and Budget, if Operator so requests, each Non-Operator shall advance its share of estimated cash requirements for the succeeding month's operations. Each such cash call shall be equal to the Operator's estimate of the money to be spent in the currencies required to perform its duties under the approved Work Program and Budget during the month concerned. For informational purposes the cash call shall contain an estimate of the funds required for the succeeding 2 months detailed by the categories designated in the approved Work Program and Budget submitted by Operator in accordance with Article 6.4 of the Joint Operating Agreement.

1.6.2 Each such cash call, detailed by the categories designated in the approved Work Program and Budget submitted by Operator in accordance with Article 6.4 of the Joint Operating Agreement, shall be made in writing and delivered to all Non-Operators not less than 15 days before the payment due date. The due date for payment of such advances shall be set by Operator but shall be no sooner than the first Business Day of the month for which the advances are required. All advances shall be made without bank charges. Any charges related to receipt of advances from a Non-Operator shall be borne by that Non-Operator.

1.6.3 Each Non-Operator shall wire transfer its share of the full amount of each such cash call to Operator on or before the due date, in the currencies requested or any other currencies acceptable to Operator and at a bank designated by Operator. If currency provided by a Non-Operator is other than the requested currency, then the entire cost of converting to the requested currency shall be charged to that Non-Operator.



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- 1.6.4 Notwithstanding the provisions of Section 1.6.2, should Operator be required to pay any sums of money for the Joint Operations which were unforeseen at the time of providing the Non-Operators with said estimates of its requirements, Operator may make a written request to the Non-Operators for special advances covering the Non-Operators' share of such payments. Each such Non-Operator shall make its proportional special advances within 10 days after receipt of such notice.
- 1.6.5 If a Non-Operator's advances exceed its share of cash expenditures, the next succeeding cash advance requirements, after such determination, shall be reduced accordingly. However, if the amount of such excess advance is greater than the amount of the next month's estimated cash requirements for such Non-Operator, the Non-Operator may request a refund of the difference, which refund shall be made by Operator within 10 days after receipt of the Non-Operator's request provided that the amount is in excess of U.S. \$250,000.
- If Operator does not refund the money within the time required, the unpaid balance shall bear and accrue interest at the Default Interest Rate from the due date until the payment is received by the Non-Operator who requested the refund.
- 1.6.6 If Non-Operator's advances are less than its share of cash expenditures, the deficiency shall, at Operator's option, be added to subsequent cash advance requirements or be paid by Non-Operator within 10 days following the receipt of Operator's billing to Non-Operator for such deficiency.
- 1.6.7 If, under the provisions of the Joint Operating Agreement, Operator is required to segregate funds received from the Parties, any interest received on such funds shall be applied against the next succeeding cash call or, if directed by the Operating Committee, distributed quarterly. The interest thus received shall be allocated to the Parties on an equitable basis taking into consideration date of funding by each Party to the accounts in proportion to the total funding into the account. A monthly statement summarizing receipts, disbursements, transfers to each joint bank account and beginning and ending balances thereof shall be provided by Operator to the Parties.
- 1.6.8 If Operator does not request Non-Operators to advance their share of estimated cash requirements, each Non-Operator shall pay its share of cash expenditures within 10 days following receipt of Operator's billing.
- 1.6.9 Payments of advances or billings shall be made on or before the due date. In accordance with Article 8 of the Joint Operating Agreement, if these payments are not received by the due date the unpaid balance shall bear and accrue interest from the due date until the payment is received by Operator at the Default Interest Rate. For the purpose of determining the unpaid balance and interest owed, Operator shall translate to U.S. currency all amounts owed in other currencies using the currency exchange rate, determined in accordance



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with Section 1.4.3, at the close of the last Business Day prior to the due date for the unpaid balance.

- 1.6.10 Subject to governmental regulation, Operator shall have the right, at any time and from time to time, to convert the funds advanced or any part thereof to other currencies to the extent that such currencies are then required for Petroleum Operations. The cost of any such conversion shall be charged to the Joint Account.
- 1.6.11 Operator shall endeavour to maintain funds held for the Joint Account in bank accounts at a level consistent with that required for the prudent conduct of Joint Operations.
- 1.6.12 If under the Joint Operating Agreement, Operator is required to segregate funds received from or for the Joint Account, the provisions under Section 1.6 for payments and advances by Non-Operators shall apply also to Operator.

1.7 Adjustments

Payments of any advances or billings shall not prejudice the right of any Non-Operator to protest or question the correctness thereof; provided, however, all bills and statements rendered to Non-Operators by Operator during any Calendar Year shall conclusively be presumed to be true and correct after 24 months following the end of such Calendar Year, unless within the said 24 month period a Non-Operator takes written exception thereto and makes claim on Operator for adjustment. Failure on the part of a Non-Operator to make claim on Operator for adjustment within such period shall establish the correctness thereof and preclude the filing of exceptions thereto or making claims for adjustment thereon. No adjustment favourable to Operator shall be made unless it is made within the same prescribed period. The provisions of this paragraph shall not prevent adjustments resulting from a physical inventory of the Material as provided for in Section 6. Operator shall be allowed to make adjustments to the Joint Account after such 24 month period if these adjustments result from audit exceptions outside of this Accounting Procedure, third party claims, or requirements from Government or from a Person wholly owned by the State. Any such adjustments shall be subject to audit within the time period specified in Section 1.8.1.

1.8 Audits

- 1.8.1 A Non-Operator, upon at least 60 days advance notice in writing to Operator and all other Non-Operators shall have the right to audit the Joint Accounts and records of Operator relating to the accounting hereunder for any Calendar Year within the 24 month period following the end of such Calendar Year except as otherwise provided in Section 3.1. Non-Operators shall have reasonable access to Operator's personnel and to the Facilities, warehouses, and offices directly or indirectly serving Joint Operations. The cost of each such audit shall be borne by Non-Operators participating in the audit. Where there are two or more Non-Operators, the Non-Operators shall make a reasonable



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effort to conduct joint or simultaneous audits in a manner that will result in a minimum of inconvenience to the Operator. Non-Operators must take written exception to and make claim upon the Operator for all discrepancies disclosed by said audit within said 24 month period. Non-Operators may request information from the Operator prior to the commencement of the audit. Operator will provide the information in electronic format or hard copy documents, if electronic format is not available. Operator will provide the information requested within 30 days before commencement of the audit but in no event sooner than 30 days after the written request. The information requested shall be limited to that normally used for pre-audit work such as trial balance, general ledger, and sub-ledger data.

- 1.8.2 Operator shall endeavour to provide information from its Affiliated Companies reasonably necessary to support Designated Affiliate Charges from those Affiliated Companies to the Joint Account other than those charges referred to in Section 3.1. However, if an Affiliated Company considers such information confidential or proprietary, and therefore will not allow the Non-Operators to audit its accounts, the statutory auditor of the Affiliated Company shall be used to confirm the details and facts as required, provided such statutory auditor is an internationally recognized firm of public accountants.
- 1.8.3 If Operator does not provide for the requested audit of a charge under Section 1.8.1 within the 24-Calendar Month period provided in Section 1.7, then Operator shall credit the Joint Account for the charge in question no later than 30 days after expiration of the 24-Calendar Month period.
- 1.8.4 Any information obtained by a Party under the provisions of Section 1.8 which does not relate directly to the Joint Operations shall be kept confidential and shall not be disclosed to any party, except as would otherwise be permitted by Article 15.2(A)(3) and (10) of the Joint Operating Agreement.
- 1.8.5 In the event that the Operator is required by applicable law or the EPCC to employ a public accounting firm to audit the Joint Account and records of Operator relating to the accounting hereunder, the cost thereof shall be a charge against the Joint Account, and a copy of the audit shall be furnished to each Party.
- 1.8.6 At the conclusion of each audit, the Parties shall endeavour to settle outstanding matters expeditiously. To this end the Parties conducting the audit will make a reasonable effort to prepare and distribute a written report to the Operator and all the Parties who participated in the audit as soon as possible and in any event within 90 days after the conclusion of each audit. The report shall include all claims, with supporting documentation, arising from such audit together with comments pertinent to the operation of the accounts and records. Operator shall make a reasonable effort



to reply to the report in writing as soon as possible and in any event no later than 90 days after receipt of the report. Should the Non-Operators consider that the report or reply requires further investigation of any item therein, the Non-Operators shall have the right to conduct further investigation in relation to such matter notwithstanding the provisions of Sections 1.7 and 1.8.1 that the period of 24 months may have expired. However, conducting such further investigation shall not extend the 24 month period for taking written exception to and making a claim upon the Operator for all discrepancies disclosed by said audit. Such further investigations shall be commenced within 30 days and be concluded within 60 days after the receipt of such report or reply, as the case may be.

1.8.7 All adjustments resulting from an audit agreed between the Operator and the Non-Operator conducting the audit shall be reflected promptly in the Joint Account by the Operator and reported to the Non-Operator(s). If any dispute shall arise in connection with an audit, it shall be reported to and discussed by the Operating Committee, and, unless otherwise agreed by the parties to the dispute, resolved in accordance with the provisions of Article 18 of the Joint Operating Agreement. If all the parties to the dispute so agree, the adjustment(s) may be referred to an independent expert agreed to by the parties to the dispute e.g. an independent accounting firm. At the election of the parties to the dispute, the decision of the expert will be binding upon such parties. Unless otherwise agreed, the cost of such expert will be shared equally by all parties to the dispute.

1.8.8 The provisions of this Section 1.8 apply to audits conducted under Article 5.12(D) of the Joint Operating Agreement except that the 60 day advance notice and the advance information provisions of Section 1.8.1 shall not apply.

1.8.9 The rights of Non-Operators as to adjustments under Section 1.7 and audits under Section 1.8 in relation to Designated Affiliate Charges shall be governed by this Section 1.8.9.

1.8.9.1 If a Non-Operator takes written exception to and makes a claim on Operator for adjustment under Section 1.7 of any Designated Affiliate Charge or requests an audit of the charges under Section 1.8, then Operator shall conduct an audit of the charges as follows:

- (a) The rates and other supporting documentation for the charges shall be audited by an internationally recognized independent public accounting firm selected by Operator.
- (b) The accounting firm audit fee shall be charge to the Joint Account.
- (c) Within 12 Calendar Months after a Non-Operator requests an adjustment or audit of Designated Affiliate Charges, Operator shall furnish the Non-Operator a copy of a report from the accounting firm stating whether the Designated Affiliate Charges:



- (i) represent a complete and accurate allocation of the charges to the Joint Operations;
- (ii) exclude any element of profit;
- (iii) exclude any duplication of costs covered under Section 2 and Section 3 and;
- (iv) are consistent in application to all the activities of the Affiliate.

1.8.9.2 The Designated Affiliate Charges to the Joint Account in question shall conclusively be presumed to be true and correct 90 days after Operator has furnished the Non-Operator the report from the accounting firm as provided in Section 1.8.9.1 (c) unless within that 90-day period (i) the Non-Operator that originally made a written exception and claim on Operator for adjustment renews the written exception and claim for adjustment or (ii) the Non-Operator that requested the audit takes written exception to the charges and makes claim on Operator for adjustment.

1.8.9.3 If Operator fails to conduct the audit provided for under Section 1.8.9.1, then Operator shall credit the Joint Account for the charge in question no later than 30 days after expiration of the 12-Calendar Month period.

1.9

Allocations

If it becomes necessary to allocate any costs or expenditures to or between Joint Operations and any other operations, such allocation shall be made on an equitable basis. For informational purposes only, Operator shall furnish a description of its allocation procedures pertaining to these costs and expenditures and its rates for personnel and other charges, along with each proposed Work Program and Budget. Such allocation basis shall be subject to audit under Section 1.8.

1.10

Procedure for Unscheduled Direct Charges

Operator may charge the Non-Operators whether by statement or Cash Call for their proportionate share of the following unscheduled direct costs:

- (a) costs which should have been charged to the Joint Account but were charged to other operations not covered by the Contract and were the subject of audit exceptions outside of this Accounting Procedure if charged by Operator to the Non-Operators within 24 Calendar Months from the time the audit exception outside of this Accounting Procedure is resolved by Operator;
- (b) revision of Joint Account costs that result from a physical inventory of the Material provided for in Section 6 if charged by Operator to the Non-Operators within 24 Calendar Months from the time the physical inventory is completed by Operator;
- (c) costs subject of audit exceptions or other requirements by the Government or Government Oil & Gas Company under the Contract if charged by Operator to the Non-



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Operators within 24 Calendar Months from the time the audit exception or other requirement by the Government or Government Oil & Gas Company is resolved by Operator; and

(d) other direct costs incurred by Operator but not previously charged to the Non-Operators if charged by Operator to the Non-Operators within the 24-Calendar Month period following the end of the Calendar Year in which the costs were first incurred by Operator.

SECTION 2. DIRECT CHARGES

Operator shall charge the Joint Account for all costs and expenditures incurred by Operator for the conduct of Joint Operations within the limits of approved Work Programs and Budgets or as otherwise specified in the Joint Operating Agreement. Charges for services normally provided by an operator such as those contemplated in Sections 2.7.2 and 2.7.3 which are provided by a Party's Affiliated Company shall reflect the cost paid to the Affiliated Company, excluding profit, for performing such services, except as otherwise provided in Section 2.6, Section 2.7.1, and Section 2.5.1 if selected. The costs and expenditures shall be recorded as required for the settlement of accounts between the Parties hereto in connection with the rights and obligations under the Joint Operating Agreement and for purposes of complying with applicable Mozambican tax laws and applicable tax law of such other countries to which any of the Parties may be subject.

Chargeable costs and expenditures may include:

2.1 Licenses, Permits, Etc

All costs, if any, attributable to the acquisition, maintenance, renewal or relinquishment of licenses, permits, contractual and/or surface rights acquired for Joint Operations and bonuses paid in accordance with the EPCC when paid by Operator in accordance with the provisions of the EPCC and the Joint Operating Agreement.

2.2 Salaries, Wages and Related Costs

Salaries, wages and related costs include everything constituting the employees' total compensation, as well as the cost to Operator of holiday, vacation, sickness, disability benefits, living and housing allowances, travel time, bonuses, and other customary allowances applicable to the salaries and wages chargeable hereunder, as well as the costs to Operator for employee benefits, including but not limited to employee group life insurance, group medical insurance, hospitalization, retirement, severance payments required by applicable Mozambican law (additional severance payments in excess of those provided by applicable Mozambican law, which are made in accordance with Operator's benefit policies, shall be allocated to the Joint Account in the proportion that the time the employee was directly engaged in Joint Operations on a full time basis bears to the employee's total tenure with the Operator and its



Affiliated Companies), and other benefit plans of a like nature applicable to labour costs of Operator.

All costs associated with organizational restructuring (e.g., separation benefits, relocation costs, asset disposition costs) of Operator or its Affiliated Companies, other than those costs which are directly related to employees of Operator who are directly engaged in Joint Operations on a full time basis, will require the approval of the Parties to be chargeable to the Joint Account.

Any costs associated with Mozambican benefit plans which are not currently funded shall be accrued and not be paid by Non-Operators, unless otherwise approved by the Operating Committee, until the same are due and payable to the employee, upon withdrawal of a Party pursuant to the Joint Operating Agreement and then only by the withdrawing Party, or upon termination of the Joint Operating Agreement, whichever occurs first.

Expenditures or contributions made pursuant to assessments imposed by governmental authority for payments with respect to or on account of employees described in Section 2.2.1 and Section 2.2.2 shall be chargeable to the Joint Account.

Because the funding of a defined benefit plan is not necessarily representative of the cost to the Operator for the retirement plan, the actuarially determined service cost shall be charged to the Joint Account instead of the amount of cash paid to fund the retirement plan.

- 2.2.1 The salaries, wages and related costs of employees of Operator and its Affiliated Companies temporarily or permanently assigned Mozambique or Facilities subject to Mozambican jurisdiction and directly engaged in Joint Operations shall be chargeable to the Joint Account.
- 2.2.2 The salaries, wages and related costs of employees of Operator and its Affiliated Companies temporarily or permanently assigned outside Mozambique or Facilities subject to Mozambican jurisdiction, but which are directly engaged in Joint Operations and not otherwise covered in Section 2.7.2 shall be chargeable to the Joint Account.
- 2.2.3 Costs for salaries, wages and related costs may be charged to the Joint Account on an actual basis or at a rate based upon the average cost in accordance with Operator's usual practice. In determining the average cost, Expatriate Personnel and National Individual employees' rates shall be calculated separately and reviewed at least annually.
- 2.2.4 Expenses involved in Joint Operations (including related travel costs) of those employees whose salaries and wages are chargeable to the Joint Account under Sections 2.2.1 and 2.2.2 and for which expenses the employees are reimbursed under the usual practice of Operator shall be chargeable to the Joint Account.



- 2.2.5 If employees are engaged in other activities in addition to the Joint Operations, the cost of such employees shall be allocated on an equitable basis.
- 2.2.6 All costs related to the training and development of National Individuals incurred per the EPCC.
- 2.3 Employee Relocation Costs
- 2.3.1 Except as provided in Section 2.3.3, Operator's cost of employees' relocation to or from an assignment with the Joint Operations, whether within or outside Mozambique and whether permanently or temporarily assigned to the Joint Operations, shall be chargeable to the Joint Account. If such employee works on other activities in addition to Joint Operations, such relocation costs shall be allocated on an equitable basis.
- 2.3.2 Such relocation costs shall include transportation of employees, and if the assignment is more than ninety (90) days, transportation of families, personal and household effects of the employee and family, transit expenses, and all other related costs in accordance with Operator's usual practice.
- 2.3.3 Relocation costs to an assignment that is not with the Joint Operations shall not be chargeable to the Joint Account unless the place of the new assignment is the point of origin of the employee or unless otherwise agreed by the Operating Committee.
- 2.4 Offices, Camps, and Miscellaneous Infrastructure.
- Cost of maintaining any offices, sub-offices, camps, warehouses, housing, and other infrastructure of the Operator and/or Affiliated Companies directly serving the Joint Operations. If such infrastructure serves operations in addition to the Joint Operations the costs shall be allocated to the properties served on an equitable basis.
- 2.5 Material.
- Cost, net of discounts taken by Operator, of Material purchased or furnished by Operator. Such costs shall include, but are not limited to, export brokers' fees, transportation charges, loading, unloading fees, export and import duties and license fees associated with the procurement of Material and in-transit losses, if any, not covered by insurance. So far as it is reasonably practical and consistent with efficient and economical operation, only such Material shall be purchased for, and the cost thereof charged to, the Joint Account as may be required for immediate use.
- 2.6 Exclusively Owned Equipment and Infrastructure of Operator and Affiliated Companies
- Charges for exclusively owned equipment, infrastructure and utilities of Operator or any of its Affiliated Companies, at rates not to exceed the average commercial rates of non-affiliated third parties then prevailing for like equipment, infrastructure, and utilities, for use in the area where the same are used hereunder. On request,



Operator shall furnish Non-Operators a list of rates and the basis of application. Such rates shall be revised from time to time if found to be either excessive or insufficient, but not more than once every six months.

Exclusively owned drilling tools and other equipment lost in the hole or damaged beyond repair in connection with Wells may be charged at replacement cost less depreciation plus transportation costs to deliver like equipment to the location where used.

2.7 Services

2.7.1 The charges for services provided by third parties, including the Affiliated Companies of the respective Parties which have contracted with Operator to perform services that are normally provided by third parties, other than those services covered by Section 2.7.2 and Section 2.7.3, shall be chargeable to the Joint Account.

2.7.2 The cost of services performed by Operator's Affiliated Companies' technical and professional staffs not located within Mozambique and not otherwise covered under Section 2.2.2, shall be chargeable to the Joint Account ("Designated Affiliate Charges"). The cost of Designated Affiliate Charges shall include salaries and wages of such technical and professional personnel, lost time, governmental assessments, and employee benefits. Costs shall also include all support costs necessary for such technical and professional personnel to perform such services, such as, but not limited to, rent, utilities, drafting, telephone and other communication expenses, computer support, supplies, depreciation, and other reasonable expenses. Such costs for professional personnel shall be one line item and such costs for technical personnel shall be a separate line item. Examples of such services include the following:

Geologic Studies and Interpretation

Seismic Data Processing

Well Log Analysis, Correlation and Interpretation

Laboratory Services

Ecological and Environmental Engineering

Decommissioning (Abandonment) and Reclamation

Well Site Geology

Project Management and Engineering

Source Rock Analysis

Petrophysical Analysis

Geochemical Analysis



Drilling Supervision

Development Evaluation

Project Accounting and Professional Services

Other Data Processing

Costs incurred as payment for access to, and use of, technical data, intellectual property and know-how of the Operator's group of Affiliated Companies in accordance with the customary cost sharing system applicable to operating companies within the Operator's group of Affiliated Companies. Such costs shall be included in annual Work Program and Budgets as a separate line item subject to the approval of the Operating Committee.

- 2.7.3 The cost of services performed with the approval of Operator by the technical and professional staffs of the Non-Operators and the Affiliated Companies of the respective Non-Operators, including the cost to such Affiliated Companies and Non-Operators of their respective secondees, shall be chargeable to the Joint Account. The individual rates shall include salaries and wages of such technical and professional personnel and secondees, lost time, governmental assessments, and employee benefits. Such costs for professional personnel shall be one line item and such costs for technical personnel shall be a separate line item. Costs (other than for secondees) shall also include all support costs necessary for such technical and professional personnel to perform such services, such as, but not limited, to rent, utilities, support staff, drafting, telephone and other communication expenses, computer support, supplies, depreciation, and other reasonable expenses. Such costs for professional personnel shall be one line item and such costs for technical personnel shall be a separate line item.
- 2.7.4 A Non-Operator shall bill Operator for direct costs of services and of secondees charged under the provisions of Section 2.7.3 on or before the last day of each month for charges for the preceding month, to which charges Non-Operator shall not add an administrative overhead. Within 30 days after receipt of a bill for such charges, Operator shall pay the amount due thereon.
- 2.8 Insurance
- Premiums paid for insurance required by applicable law, the EPCC or the Joint Operating Agreement to be carried for the benefit of the Joint Operations.
- 2.9 Damages and Losses to Property
- 2.9.1 All costs or expenditures necessary to replace or repair damages or losses incurred by fire, flood, storm, theft, accident, or any other similar cause shall be chargeable to the Joint Account. Operator shall furnish Non-Operators written notice of damages or losses incurred in excess of U.S. \$150,000 (one hundred and fifty thousand Dollars of the United States of America) as soon as practical after report of the same has



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been received by Operator. All losses in excess of U.S. \$150,000 (one hundred and fifty thousand Dollars of the United States of America) shall be listed separately in the monthly statement of costs and expenditures.

2.9.2 Credits for settlements received from insurance carried for the benefit of Joint Operations and from others for losses or damages to Joint Property or Materials shall be chargeable to the Joint Account. Each Party shall be credited with its Participating Interest share thereof except where such receipts are derived from insurance purchased by Operator for less than all Parties in which event such proceeds shall be credited to those Parties for whom the insurance was purchased in the proportion of their respective contributions toward the insurance coverage.

2.9.3 Expenditures incurred in the settlement of all losses, claims, damages, judgments, and other expenses for the account of Joint Operations shall be chargeable to the Joint Account.

2.10 Litigation, Dispute Resolution and Associated Legal Expenses

The costs and expenses of litigation, dispute resolution and associated legal services necessary for the protection of the Joint Operations under the Joint Operating Agreement as follows:

2.10.1 Legal services, other than those provided by the Parties or their Affiliated Company's employees, necessary or expedient for the protection of the Joint Operations, and all costs and expenses of litigation, arbitration or other alternative dispute resolution procedure, including reasonable attorneys' fees and expenses, together with all judgments obtained against the Parties or any of them arising from the Joint Operations.

2.10.2 If the Parties agree, litigation, arbitration or other alternative dispute resolution procedures resulting from actions or claims affecting the Joint Operations hereunder may be handled by the legal staff of one or any of the Parties or their respective Affiliates; and a charge commensurate with the reasonable costs of providing and furnishing such services rendered may be made by the Party or its Affiliates providing such service to Operator for the Joint Account.

2.11 Taxes and Duties

All taxes, duties, assessments and governmental charges, of every kind and nature, assessed or levied upon or in connection with the Joint Operations, other than any that are measured by or based upon the revenues, income and net worth of a Party.

If Operator or an Affiliate is subject to income and withholding tax as a result of services performed at cost for the operations under the Joint Operating Agreement, its charges for such services may be increased (grossed up) by the amount of such taxes incurred.

2.12 Ecological and Environmental



Costs incurred on the Joint Property as a result of statutory regulations for archaeological and geophysical surveys relative to identification and protection of cultural resources and/or other environmental or ecological surveys as may be required by any regulatory authority. Also, costs to provide or have available pollution containment and removal equipment plus costs of actual control, clean up and remediation resulting from responsibilities associated with Petroleum contamination as required by all applicable laws and regulations.

2.13 Decommissioning and Reclamation

Costs incurred for Decommissioning pursuant to an approved Decommissioning Plan, for the preparation of such plan and for the reclamation of the Joint Property, including costs required by governmental or other regulatory authority or by the EPCC related to Decommissioning. Cost covered by withdrawals from the Decommissioning Fund shall not be considered direct charges

Payments made into the Decommissioning Fund pursuant to the Decommissioning requirements and procedures of applicable law, the EPCC and the Joint Operating Agreement related to the Petroleum Operations subject to these Accounting Procedures.

2.14 Other Expenditures

Any other costs and expenditures incurred by Operator for the necessary and proper conduct of the Joint Operations in accordance with approved Work Programs and Budgets or as otherwise specified in the Joint Operating Agreement and not covered in Section 2 or in Section 3.

SECTION 3. INDIRECT CHARGES

3.1 Purpose.

Operator shall only be entitled to charge the Joint Account monthly for the cost of indirect services and related office costs of Operator and its Affiliated Companies which: (i) the Operator is unable to charge under Section II; and (ii) are allocable to Petroleum Operations subject to this Accounting Procedure (the "Indirect Charges") in accordance with this Section III. The Indirect Charges include but are not limited to general counselling, executive and general administrative functions not directly identified to a specific operation but are for services which provide Operator and its Affiliates with needed and necessary resources which Operator requires. The Indirect Charges are such that it is not practicable to identify or associate the same with specific projects.

3.2 Amount.

3.2.1 The indirect charge under Section 3.1 for any month shall equal the greater of the total amount of indirect charges for the period beginning at the start of the Calendar Year through the end of the period covered by Operator's invoice ("Year-to-Date") determined under Section 3.2.2, less indirect charges previously made under Section



3.1 for the Calendar Year in question, or the amount of the minimum assessment determined under Section 3.2.3, calculated on an annualized basis (but reduced pro rata for periods of less than one year), less indirect charges previously made under Section 3.1 for the Calendar Year in question.

- 3.2.2 Unless exceeded by the minimum assessment under Section 3.2.3, the aggregate Year-to-Date indirect charges shall be a percentage of the Year-to-Date expenditures, calculated on the following scale (U.S. Dollars):

Annual Expenditures

0 to \$ 5,000,000 of expenditures = 5%

Next \$5,000,000 of expenditures = 3%

Excess above \$10,000,000 of expenditures = 1.5%

- 3.2.3 A minimum amount of U.S. \$ 120,000 shall be assessed each Calendar Year calculated from the Effective Date and shall be reduced pro rata for periods of less than a year.

- 3.3 Exclusions.

The expenditures used to calculate the monthly indirect charge shall not include the indirect charge (calculated either as a percentage of expenditures or as a minimum monthly charge), rentals on surface rights acquired and maintained for the Joint Account, guarantee deposits, pipeline tariffs, concession acquisition costs, bonuses paid in accordance with the EPCC, royalties and taxes on Production or revenue to the Joint Account paid by Operator, expenditures associated with major construction projects for which a separate indirect charge is established hereunder, payments to third parties in settlement of claims, and other similar items.

Credits arising from any government subsidy payments, disposition of Material, and receipts from third parties for settlement of claims shall not be deducted from total expenditures in determining such indirect charge.

SECTION 4. ACQUISITION OF MATERIAL

- 4.1 Acquisitions

Materials purchased for the Joint Account shall be charged at net cost paid by the Operator. The price of Materials purchased shall include, but shall not be limited to export broker's fees, insurance, transportation charges, loading and unloading fees, import duties, license fees, and demurrage (retention charges) associated with the procurement of Materials, and applicable taxes, less all discounts taken.

- 4.2 Materials Furnished by Operator



Materials required for operations shall be purchased for direct charge to the Joint Account whenever practicable, except the Operator may furnish such Materials from its stock under the following conditions:

4.2.1 New Materials (Condition "1").

New Materials transferred from the warehouse or other properties of Operator shall be priced at net cost determined in accordance with Section 4.1 as if Operator had purchased such new Material just prior to its transfer.

Such net costs shall in no event exceed the then current market price.

4.2.2 Used Materials (Conditions "2" and "3")

4.2.2.1 Material which is in sound and serviceable condition and suitable for use without repair or reconditioning shall be classed as Condition "2" and priced at 75% of such new purchase net cost at the time of transfer.

4.2.2.2 Materials not meeting the requirements of Section 4.2.2.1, but which can be made suitable for use after being repaired or reconditioned, shall be classed as Condition "3" and priced at 50% of such new purchase net cost at the time of transfer. The cost of reconditioning shall also be charged to the Joint Account provided the Condition "3" price, plus cost of reconditioning, does not exceed the Condition "2" price; and provided that Material so classified meet the requirements for Condition "2" Material upon being repaired or reconditioned.

4.2.2.3 Material, which cannot be classified as Condition "2" or Condition "3", shall be priced at a value commensurate with its use.

4.2.2.4 Tanks, derricks, buildings, and other items of Material involving erection costs, if transferred in knocked-down condition, shall be graded as to condition as provided in Section 4.2.2, and priced on the basis of knocked-down price of like new Material.

4.2.2.5 Material including drill pipe, casing and tubing, which is no longer useable for its original purpose but is useable for some other purpose, shall be graded as to condition as provided in Section 4.2.2. Such Material shall be priced on the basis of the current price of items normally used for such other purpose if sold to third parties.

4.3 Premium Prices

Whenever Material is not readily obtainable at prices specified in Sections 4.1 and 4.2 because of national emergencies, strikes or other unusual causes over which Operator has no control, Operator may charge the Joint Account for the required Material at Operator's actual cost incurred procuring such Material, in making it suitable for use, and moving it to the EPCC Area or other relevant area for use in Petroleum Operations subject to these Accounting Procedures, provided that notice in writing, including a detailed description of the Material required and the required delivery date, is furnished to Non-Operators of the proposed charge at least 60 days



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(or such shorter period as may be specified by Operator) before the Material is projected to be needed for operations and prior to billing Non-Operators for such Material the cost of which exceeds U.S. \$250,000. Each Non-Operator shall have the right, by so electing and notifying Operator within 10 days (or such shorter period as may be specified by Operator) after receiving notice from Operator, to furnish in kind all or part of his share of such Material per the terms of the notice which is suitable for use and acceptable to Operator both as to quality and time of delivery. Such acceptance by Operator shall not be unreasonably withheld. If Material furnished is deemed unsuitable for use by Operator, all costs incurred in disposing of such Material or returning Material to owner shall be borne by the Non-Operator furnishing the same unless otherwise agreed by the Parties. If a Non-Operator fails to properly submit an election notification within the designated period, Operator is not required to accept Material furnished in kind by that Non-Operator. If Operator fails to submit proper notification prior to billing Non-Operators for such Material, Operator shall only charge the Joint Account on the basis of the price allowed during a "normal" pricing period in effect at time of movement.

4.4 Warranty of Material Furnished by Operator

Operator does not warrant the condition or fitness for the purpose intended of the Material furnished. In case defective Material is furnished by Operator for the Joint Account, credit shall not be passed to the Joint Account until adjustment has been received by Operator from the manufacturers or their agents.

SECTION 5. DISPOSAL OF MATERIALS

5.1 Disposal

Operator shall be under no obligation to purchase the interest of Non-Operators in new or used surplus Materials. Operator shall have the right to dispose of Materials but shall advise and secure prior agreement of the Operating Committee of any proposed disposition of Materials having an original cost to the Joint Account either individually or in the aggregate of U.S. \$500,000 or more. When Joint Operations are relieved of Material charged to the Joint Account, Operator shall advise each Non-Operator of the original cost of such Material to the Joint Account so that the Parties may eliminate such costs from their asset records. Credits for Material sold by Operator shall be made to the Joint Account in the month in which payment is received for the Material. Any Material sold or disposed of under this Section 5 shall be on an "as is, where is" basis without guarantees or warranties of any kind or nature. Costs and expenditures incurred by Operator in the disposition of Materials shall be charged to the Joint Account.

5.2 Material Purchased by a Party or Affiliate

Proceeds received from Material purchased from the Joint Property by a Party or an Affiliate thereof shall be credited by Operator to the Joint Account, with new



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Material valued in the same manner as new Material under Section 4.2.1 and used Material valued in the same manner as used Material under Section 4.2.2, unless otherwise agreed by the Operating Committee.

5.3 Division In Kind

Division of Material in kind, if made between the Parties, shall be in proportion to their respective interests in such Material. Each Party will thereupon be charged individually with the value (determined in accordance with the procedure set forth in Section 5.2) of the Material received or receivable by it.

5.4 Sales to Third Parties

Proceeds received from Material purchased from the Joint Property by third parties shall be credited by Operator to the Joint Account at the net amount collected by Operator from the buyer. If the sales price is less than the value determined in accordance with the procedure set forth in Section 5.2, then approval by the Operating Committee shall be required prior to the sale. Any claims by the buyer for defective materials or otherwise shall be charged back to the Joint Account if and when paid by Operator.

SECTION 6. INVENTORIES

6.1 Periodic Inventories - Notice and Representation

At reasonable intervals, inventories shall be taken by Operator of all Material held in warehouse stock on which detailed accounting records are normally maintained. The expense of conducting periodic inventories shall be charged to the Joint Account. Operator shall give Non-Operators written notice at least 60 days in advance of its intention to take inventory, and Non-Operators, at their sole cost and expense, shall each be entitled to have a representative present. The failure of any Non-Operator to be represented at such inventory shall bind such Non-Operator to accept the inventory taken by Operator. Operator shall in any event furnish each Non-Operator with a reconciliation of overages and shortages. Inventory adjustments to the Joint Account shall be made for overages and shortages. Any adjustment equivalent to U.S. \$100,000 or more shall be brought to the attention of the Operating Committee.

6.2 Special Inventories

Whenever there is a sale or change of a Participating Interest in the EPCC and the Joint Operating Agreement, a special inventory may be taken by the Operator provided the seller and/or purchaser of such interest agrees to bear all of the expense thereof. In such cases, both the seller and the purchaser shall be entitled to be represented and shall be governed by the inventory so taken.



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